DOCKET

SUPREME COURT
OF THE UNITED STATES

No. 11-697
Title: Supap Kirtsaeng, dba Bluechristine99, Petitioner
v.
John Wiley & Sons, Inc.
Docketed: December 7, 2011
Lower Ct: United States Court of Appeals for the Second Circuit
Case Nos.: (09-4896)
Decision Date: August 15, 2011
Rehearing Denied: October 13, 2011

Questions Presented

~~Date~~~	~~~~~~~Proceedings and Orders~~~~~~~~~~~~~~~~~~~~~
Dec 5 2011	Petition for a writ of certiorari filed. (Response due January 6, 2012)
Dec 22 2011	Consent to the filing of amicus curiae, briefs in supprt of either party or of neither party, received from counsel for the petitioner.
Dec 28 2011	Letter of December 23, 2011, from counsel for petitioner received.
Dec 29 2011	Order extending time to file response to petition to and including February 6, 2012.
Jan 5 2012	Consent to the filing of amicus briefs, in support of either party or of neither party received from counsel for the respondent.
Jan 5 2012	Brief amici curiae of eBay Inc., et al, filed.
Jan 6 2012	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Jan 6 2012	Brief amici curiae of Public Knowledge, et al. filed.
Jan 6 2012	Brief amicus curiae of Retail Industry Leaders Association, et al.
Feb 2 2012	Order further extending time to file response to petition to and including March 5, 2012.
Mar 5 2012	Brief of respondent John Wiley & Sons, Inc. in opposition filed. VIDED.
Mar 20 2012	Reply of petitioner Supap Kirtsaeng, dba Bluechristine99 filed.
Mar 21 2012	DISTRIBUTED for Conference of April 13, 2012.
Apr 16 2012	Petition GRANTED.
May 8 2012	The time to file the joint appendix and petitioner's brief on the merits is extended to and including July 2, 2012.
May 8 2012	The time to file respondent's brief on the merits is extended to and including August 31, 2012.
Jun 18 2012	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the respondent.
Jul 2 2012	Joint appendix filed (with supplemental volume).

Jul 2 2012	Brief of petitioner Supap Kirtsaeng, dba Bluechristine99 filed.
Jul 2 2012	Brief amicus curiae of Association of Service and Computer Dealers filed.
Jul 3 2012	Brief amici curiae of American Library Association, et al. filed.
Jul 9 2012	Brief amicus curiae of Costco Wholesale Corporation filed.
Jul 9 2012	Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed.
Jul 9 2012	Brief amici curiae of Powell's Books Inc., et al. filed.
Jul 9 2012	Brief amici curiae of Public Knowledge, et al. filed.
Jul 9 2012	Brief amici curiae of eBay Inc., et al. filed.
Jul 9 2012	Brief amici curiae of 25 Intellectual Property Law Professors filed.
Jul 9 2012	Brief amici curiae of Retail Litigation Center, Inc., et al. filed.
Jul 9 2012	Brief amici curiae of Entertainment Merchants Association, et al. filed.
Jul 9 2012	Brief amici curiae of Association of Art Museum Directors, et al. filed.
Jul 9 2012	Brief amicus curiae of Goodwill Industries International, Inc. filed.
Jul 9 2012	Brief amicus curiae of Knowledge Ecology International in support of neither party filed.
Jul 23 2012	SET FOR ARGUMENT ON Monday, October 29, 2012.
Aug 2 2012	CIRCULATED
Aug 8 2012	Record from U.S.D.C. for Southern District of New York is electronic.
Aug 10 2012	Record received from U.S.D.C. for Southern District of New York.
Aug 14 2012	Record from U.S.C.A. for Second Circuit is electronic.
Aug 31 2012	Brief of respondent John Wiley & Sons, Inc. filed. (Distributed)
Sep 7 2012	Brief amicus curiae of Omega S.A. filed. (Distributed)
Sep 7 2012	Brief amicus curiae of Business Software Alliance filed. (Distributed)
Sep 7 2012	Brief amicus curiae of Text and Academic Authors Association filed. (Distributed)
Sep 7 2012	Brief amicus curiae of the United States filed. (Distributed)
Sep 7 2012	Brief amicus curiae of American Intellectual Property Law Association filed. (Distributed)
Sep 7 2012	Brief amici curiae of Motion Picture Association of America, Inc., et al. filed. (Distributed)
Sep 7 2012	Brief amicus curiae of Software and Information Industry Association (SIIA) filed. (Distributed)
Sep 7 2012	Brief amicus curiae of Professor Hugh C. Hansen filed. (Distributed)
Sep 7 2012	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
Sep 7 2012	Brief amicus curiae of Association of American Publishers filed. (Distributed)
Sep 7 2012	Brief amicus curiae of American Bar Association filed. (Distributed)
Sep 7 2012	Brief amicus curiae of LicenseLogic, LLC filed. (Distributed)
Oct 1 2012	Reply of petitioner Supap Kirtsaeng, dba Bluechristine99 filed. (Distributed)
Oct 9 2012	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
Oct 29 2012	Argued. For petitioner: E. Joshua Rosenkranz, New York, N. Y. For respondent: Theodore B. Olson, Washington, D. C., and Malcolm L. Stewart, Deputy Solicitor General, Department of Justice, Washington, D. C. (for United States, as amicus curiae.)

PETITION FOR WRIT OF CERTIORARI

RECORD AND BRIEFS

11-697

No. _____

Supreme Court, U.S.
FILED
DEC 5 - 2011
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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Law Library

QUESTION PRESENTED

This case presents the issue that recently divided this Court, 4-4, in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). Under § 602(a)(1) of the Copyright Act, it is impermissible to import a work "without the authority of the owner" of the copyright. But the first-sale doctrine, codified at § 109(a), allows the owner of a copy "lawfully made under this title" to sell or otherwise dispose of the copy without the copyright owner's permission.

The question presented is how these provisions apply to a copy that was made and legally acquired abroad and then imported into the United States. Can such a foreign-made product *never* be resold within the United States without the copyright owner's permission, as the Second Circuit held in this case? Can such a foreign-made product *sometimes* be resold within the United States without permission, but only after the owner approves an earlier sale in this country, as the Ninth Circuit held in *Costco*? Or can such a product *always* be resold without permission within the United States, so long as the copyright owner authorized the first sale abroad, as the Third Circuit has indicated?

PARTIES TO THE PROCEEDING

Petitioner Supap Kirtsaeng, doing business as Bluechristine 99, was the defendant-appellant and Respondent John Wiley & Sons, Inc. was the plaintiff-appellee in the courts below.

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Greg Sthor, *Supreme Court Reviews Costco Case*, WASH. POST, Nov. 9, 2010 11

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OPINIONS AND ORDERS BELOW

The district court's order prohibiting Mr. Kirtsaeng from raising a defense pursuant to the "first-sale" doctrine is available at 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) and reprinted at P.A. 44-77a.[1]

The opinion of the court of appeals is reported at 654 F.3d 210 (2d Cir. 2011) and is reprinted at P.A. 1-43a.

JURISDICTION

The judgment of the court of appeals was entered on August 15, 2011, and the court denied rehearing en banc on October 13, 2011. This Court's jurisdiction is invoked under 28 U.S.C. § 1254.

STATUTORY PROVISIONS INVOLVED

This case involves 17 U.S.C. §§ 106, 109, and 602, which are reproduced in full at P.A. 89-97a, and excerpted below.

17 U.S.C. § 106 provides in pertinent part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

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[1] The Appendix to this petition is cited as "P.A.," and the Joint Appendix before the court of appeals is cited as "J.A." References to the trial record are cited as "Tr. Dkt." Amicus briefs filed in connection with *Costco* are cited as "*Costco* ___ Br." according to the name or abbreviation of the lead party.

* * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending ....

17 U.S.C. § 109(a) provides in pertinent part:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. § 602(a)(1)[2] provides in pertinent part:

Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

STATEMENT OF THE CASE

Supap Kirtsaeng came to the United States from Thailand in 1997 to attend college at Cornell Uni-

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[2] In October 2008, Congress reorganized 17 U.S.C. § 602. *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259 (2008). The importation prohibition was renumbered from § 602(a) to § 602(a)(1) but not substantively altered. All citations in this brief are to § 602(a)(1).

versity. P.A. 6a, 48a. Several years later, he obtained his undergraduate degree and was later accepted into the University of Southern California's Ph.D. program in mathematics. P.A. 6a, 48a. To subsidize the cost of his education, Mr. Kirtsaeng asked family and friends in Thailand to buy copies of textbooks and ship them to him in the United States where he sold them on eBay. P.A. 6-7a, 48-49a. Before he began selling, Mr. Kirtsaeng researched the law online, where he found explanations of the first-sale doctrine. P.A. 7a, 49a. The first-sale doctrine provides in pertinent part that "the owner of a particular copy ... lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a). From his research, Mr. Kirtsaeng understood that it was legal for him to sell international editions of books in the United States so long as he legally purchased them abroad. P.A. 7a.

Among the books Mr. Kirtsaeng sold were eight textbooks printed in Asia by John Wiley & Sons' ("Wiley") Asian subsidiary. Wiley received 10% of Wiley Asia's net receipts for each reprint. P.A. 47-48a. So Wiley drew a profit from the books Mr. Kirtsaeng bought and subsequently sold. J.A. 238-39, 391. Mr. Kirtsaeng's gross revenue from selling Wiley's books totaled $37,000—and obviously his profits were far less. P.A. 10-11a.

Wiley sued Mr. Kirtsaeng in the Southern District of New York for copyright infringement. P.A. 7-8a, 49-50a. Before trial, the district court rejected Mr. Kirtsaeng's anticipated first-sale defense as a

matter of law. P.A. 44-77a. The district court held that the doctrine is "inapplicable to goods manufactured in a foreign country." P.A. 76a. In keeping with this ruling, the district court denied Mr. Kirtsaeng's proposed jury instruction on the first-sale doctrine. P.A. 9a, 76a; *see also* P.A. 81-82a (proposed jury instruction).

The jury found Mr. Kirtsaeng liable for infringing the eight works. It also found his infringement willful. The jury awarded Wiley statutory damages of $75,000 per work, a total of $600,000—more than 16 times his revenues from the sale of Wiley's books and presumably many times his profits. P.A.12a. This judgment was far beyond the means of a graduate student. So, at Wiley's request, the district court ordered Mr. Kirtsaeng to give Wiley his golf clubs and his computer and printer. Tr. Dkt. # 84.

Mr. Kirtsaeng appealed to the Second Circuit. P.A. 12a. By the time the panel issued its decision, this Court had already divided 4-4 on whether the first-sale doctrine applies to goods made abroad. *See Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). A divided panel "acknowledge[d] that this is a particularly difficult question of statutory construction." P.A. 28a. The panel majority held that "the phrase 'lawfully made under this Title' in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." P.A. 27-28a. The dissenting judge drew the opposite conclusion, reasoning that "the first-sale defense should apply to a copy of a work that enjoys United

States copyright protection wherever manufactured." P.A. 34a.

Mr. Kirtsaeng subsequently sought rehearing en banc, which was denied.

REASONS FOR GRANTING THE WRIT

There can scarcely be a surer indication that an issue is cert-worthy than when this Court grants certiorari to resolve the issue, but splits 4-4, as this Court did in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). In granting certiorari in *Costco*, this Court recognized the importance of the question presented and, in splitting evenly, this Court recognized its difficulty. With the Second Circuit's opinion in this case, the courts of appeals have split even further. *See infra* Point I. It is now more important than ever for this Court to resolve the issue and this case is the perfect vehicle for doing so. *See infra* Point II. This Court's intervention is especially important here because the Second Circuit's opinion is not only erroneous, but more extreme than any previous circuit opinion. *See infra* Point III.

I. THIS COURT'S GUIDANCE IS NECESSARY TO RESOLVE THE UNCERTAINTY THAT PERSISTS FOLLOWING ITS SPLIT DECISION IN *COSTCO V. OMEGA*.

The Copyright Act grants copyright owners certain exclusive rights. Among them is the right to distribute—or to authorize others to distribute—copies of their work, whether by sale or any other conveyance. *See* 17 U.S.C. § 106(3). Section

602(a)(1), often referred to as the "importation provision," extends this distribution right. It provides, in relevant part, that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106." *Id.* § 602(a)(1). In isolation, the importation provision might be read to mean that when a person acquires a copy of a work abroad, the acquirer cannot legally import it without the copyright owner's permission—even if the acquirer legally purchased the copy abroad with the full knowledge and approval of the copyright owner.

None of the exclusive rights granted in § 106, however, is absolute. They are all subject to several limitations such as the right of fair use, *see id.* § 107, the right of educational use, *see id.* § 110, and the right to a compulsory license for covers of songs, *see id.* § 115. One of the most important limitations is the first-sale doctrine, which provides:

> Notwithstanding the provisions of section 106(3) [i.e., the exclusive right to distribute], the owner of a particular copy ... lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy ....

Id. § 109(a). This provision, in isolation, seems to say that once a person lawfully obtains a copy of a work, he is allowed to sell that copy without the copyright owner's authorization. After the "first sale" of

a copy, the copyright owner loses any further right to control the distribution. In the absence of any contrary language, § 109(a) would seem to mean that it does not matter whether the first sale is in the United States or abroad; once the copyright owner makes the sale, he no longer controls the copy.

Obviously, both literal readings cannot be right. For two decades, the courts of appeals have wrestled with how to reconcile these two seemingly conflicting provisions. Before this Court's decision in *Quality King*, the Third Circuit had rejected the contention that the first-sale defense should ever yield to the importation provision—albeit in dictum. *See Sebastian Int'l, Inc. v. Consumer Contacts (PTY) LTD*, 847 F.2d 1093, 1099 (3d Cir. 1988). The court expressed "uneasiness with" interpreting the term "lawfully made under this title" to mean manufactured in the United States. *Id* at 1098 n.1. The court reasoned, "[w]hen Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern." *Id.*

The Ninth Circuit arrived at the opposite conclusion, finding that the first-sale doctrine did not provide a defense to importation liability. In particular, the Ninth Circuit first held that "the words 'lawfully made under this title' in § 109(a) grant first sale protection only to copies legally made and sold in the United States," which seemed to mean that a company that made a work abroad has the perpetual power to control resales after it arrives in the United States, regardless of how many times the work changes hands. *BMG Music v. Perez*, 952 F.2d 318,

319 (9th Cir. 1991). But the Ninth Circuit later clarified that the copyright owner has control over the importation of a foreign-made copy into the United States only until the foreign-made work has been sold at least once *in the United States*. *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994); *see also Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1149-50 (9th Cir. 1996).

In *Quality King Distributors. v. L'anza Research Int'l*, 523 U.S. 135 (1998), this Court granted certiorari to resolve the tension between the circuits and decide whether the first-sale doctrine limits the importation right granted in § 602(a)(1). Following the text of the statute, this Court held that "since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right 'under section 106,' and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners" of lawfully made products that import and resell them in the United States. *Id.* at 145. In other words, the importation prohibition is circumscribed by the first-sale doctrine. Once a lawful first sale has occurred, even unauthorized resales do not infringe the copyright owner's exclusive right to distribute. *Id.* at 143. "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152.

Quality King involved so-called "round-trip" copies—copies that were made in the United States, ex-

ported abroad, and then returned to the United States. In a lone concurrence, Justice Ginsburg indicated that the Court had not "resolve[d] cases in which the allegedly infringing imports were manufactured abroad." *Id.* at 154.

The Ninth Circuit subsequently held that *Quality King* limited itself to domestically manufactured copies and never addressed "the effect of [the first-sale doctrine] on claims involving unauthorized importation of copies made abroad." *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987 (9th Cir. 2008) (citing *Quality King*, 523 U.S. at 154). The court held that "lawfully made under this title," as employed in the first-sale doctrine, "refers 'only to copies legally made ... in the United States," and therefore concluded that *Quality King* "did not directly overrule *BMG Music, Drug Emporium*, and *Denbicare*." *Id.* Adhering to these earlier decisions, the Ninth Circuit once again held that until there has been a first sale of the product in this country, the defense is unavailable to owners of products manufactured abroad. *Id.* at 990.

In response to a veritable firestorm of protest against *Costco*, this Court granted certiorari. *See Costco Wholesale Corp. v. Omega S.A.*, 130 S. Ct. 2089 (2010). With Justice Kagan recused, this Court split 4-4, leaving the Ninth Circuit's precedent intact and the issue unresolved. *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

That event, alone, has compounded the uncertainty. A split panel of the Second Circuit has now even further compounded the confusion with an opi-

nion that is inconsistent with *both* the Third Circuit's position *and* the Ninth Circuit's. In contrast to the Third Circuit's position, the Second Circuit held in this case that "in light of its necessary interplay with § 602(a)(1), § 109(a) is best interpreted as applying only to works manufactured domestically." *Id.* That is *Costco* on steroids. Whereas the Ninth Circuit held that a first sale in the United States cuts off the copyright owner's rights inside the United States, the Second Circuit has held that a copy made abroad is *never* subject to the first-sale defense, even after it is imported into the United States with the copyright owner's permission and no matter how many times it changes hands. The Second Circuit left no doubt that this extension beyond *Costco* was intentional, explaining that the Ninth Circuit's more restrained holding "relied on Ninth Circuit precedents not adopted by other courts of appeals." P.A. 26a.

In sum, this Court's guidance is needed even more urgently now than when this Court intervened in *Costco*.

II. THE QUESTION PRESENTED IS IN URGENT NEED OF RESOLUTION AND THIS CASE IS AN EXCELLENT VEHICLE FOR ADDRESSING IT.

It is obviously more lucrative for a seller of goods to engage in price discrimination—charging more money to wealthier populations for the same product. When a seller engages in this practice, a parallel market (sometimes called a "gray market") typically arises: A buyer buys the product where it

is cheap and sells it at a competitive price in places where the owner charges a premium. This case illustrates the principle: school books have gotten so expensive in recent years that the typical college student pays over $1000 a year just for books. *See* Dr. James A. Koch, *An Economic Analysis of Textbook Pricing and Textbook Markets*, Sept. 2006, at 1, *available at* http://www2.ed.gov/about/bdscomm/list/acsfa/kochreport.pdf. But the books do not cost nearly that much to make. Confident that American students can be forced to pay more, booksellers, like Wiley, charge more for books with the same content as the ones they sell abroad. But at least a small population of these struggling students can benefit when a foreign colleague arranges to purchase the books abroad and sell them for less to students here.

Parallel markets are obviously not just the purview of college students. Major corporations, like Costco, follow the same model at a much more sophisticated level—and at much higher volumes—selling all sorts of products to cash-strapped U.S. consumers.

Parallel markets have always been limited by the costs of shipping, duties, and the like. But advances in technology and increased globalization have made parallel markets far more accessible to consumers than ever. As the world has shrunk, parallel markets have grown astronomically, from an estimated $7-10 billion of revenue in 1988 to over $63 billion today. *See* Greg Sthor, *Supreme Court Reviews Costco Case*, WASH. POST, Nov. 9, 2010, at A11; Paul Lansing & Joseph Gabriella, *Clarifying Gray Market Gray Areas*, 31 AM. BUS. L.J., Sept.

1993, at 313, 313 (citing Frank V. Cespedes, et al., *Gray Markets: Causes and Cures*, 66 HARV. BUS. REV. 75 (July – Aug. 1988)).

As parallel markets have exploded, the sellers have tried to retain their power to engage in price discrimination. When the goods in question are books or recordings, it is natural to turn to this country's copyright laws. But clever sellers of all sorts of products that are not ordinarily considered worthy of copyright protection have also exploited the copyright laws. They simply slap some sort of design on the product—in *Costco*, it was a deliberately inconspicuous 3 millimeter insignia etched on the backs of watches—insisting that the product should therefore be treated just like a book or record. *See Costco*, 541 F.3d at 983-84; *see also Sebastian*, 847 F.2d at 1099 (explaining how 20 years ago, industry developers had begun to "invoke the copyright law to advance their economic interests.").

For a sense of the sheer magnitude of the stakes on both sides of the issue, one need look no further than the interests that filed briefs on either side of the issue in *Costco*. On one side of the divide were companies as diverse as:

- eBay, whose online platform facilitates the parallel market in a wide range of goods, *see Costco* eBay Br. at 1;

- Amazon.com, whose e-commerce platform, like eBay's, is available to a range of retailers and individual sellers, *see Costco* Retail Indus. Leaders Ass'n Br. at 2;

- Google, which develops copyrighted software that is loaded onto physical goods, manufactured both domestically and overseas, *see Costco* eBay Br. at 1;

- Target and Sam's Club, which, like Costco, are two of this country's largest discount retailers, *see Costco* Retail Indus. Leaders Ass'n Br. at 2; and

- Intel, which incorporates thousands of technologies into its products, *see Costco* Intel Br. at 2.

On the other side of the divide were:

- Fujifilm, which complained that parallel markets threaten its ability to control distribution of its products manufactured both domestically and abroad, *see Costco* Fujifilm Br. at 2;

- Seiko, which protested that application of the first-sale doctrine undermined its exclusive licensing agreements, *id.* at 3; and

- Epson, which asserted that parallel markets restrict its ability to exercise fully its patent rights, *id.*

These diverse parties obviously have diverse—and diametrically opposite—interests. But all of them agree on one proposition: It is important for this Court to resolve whether and to what extent the original owner can shut down the flow of goods in order to prop up its prices. The United States Gov-

ernment, including the Copyright Office and other federal agencies, also agreed that this Court should intervene to resolve the issue. *See Costco* U.S. Br. at 7-32.

The Second Circuit's decision has lent new urgency to the pressure to resolve this issue. Until now, no circuit has maintained that a copy made abroad can *never* exchange hands in the United States without the copyright owner's authorization. With that holding, the universe of people who can be accused of copyright violations has expanded dramatically beyond retailers and wholesalers. The average individual is now vulnerable. Simply selling one's dog-eared book to the Strand or a watch to a neighbor at a garage sale could subject an individual to liability for violating a copyright owner's distribution rights. The individual has no way to know where the product originated, but his ignorance is no defense. *See* 17 U.S.C. §§ 504, 602(a)(1). His liability pales in comparison to that of the used bookstore or local consignment shop. The Ninth Circuit has correctly observed that if an imported copy could never be subject to the first-sale defense (as the Second Circuit has held), then "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996). The seller is subject to statutory damages ranging from $750 to $30,000 *per work*. *See* 17 U.S.C. § 504(c)(1). A showing of will-

fulness elevates the penalty per work to $150,000. *See* 17 U.S.C. § 504(c)(2). This case amply illustrates how easy it is for a plaintiff to secure a massive statutory damages judgment where a court refuses to instruct the jury that a good faith belief in the validity of the first-sale defense may negate willfulness. P.A. 11-12a.

Under the Second Circuit's position in particular, the stakes extend far beyond buyers and sellers of traditional copyrighted content. If a foreign-made copy can never be sold without authorization in the U.S., then obviously it can never be imported into the U.S. without authorization either. 17 U.S.C. § 109(a). And the exclusive right "to distribute copies" encompasses the right to block any "other transfer of ownership"—including a gift—and any "rental, lease, or lending." *Id.* § 106(3). Thus, for reasons explained below, Netflix and Blockbuster are vulnerable. So are libraries. *See Costco* Amicus Am. Library Ass'n at 15-16.

The natural response to a parade of horribles like this is to roll one's eyes and blithely insist, "It'll never happen." But if a major international publisher is willing to doggedly pursue a graduate student who sold textbooks—and crush him with a $600,000 judgment for a willful violation and an order to turn over his computer--there is little assurance that others will exercise restraint where the rents to be extracted are far richer and the pockets far deeper.

Resolution of this issue takes on added urgency because of the impact of the decision below on the United States economy. The largest publishing and

media markets in the country are in the Second and the Ninth Circuits. Publishers—and makers of any product that might be made to bear a copyrighted insignia—confront an almost irresistible pressure to send their manufacturing abroad. The power to control the resale of goods can bring huge financial rewards, especially if (as is the case under the Second Circuit's ruling) the owner can control their transfer in perpetuity. If an owner has that financial clout only with respect to foreign-made goods, it will only be a matter of time before huge swaths of American manufacturing migrate abroad.

This case is a good vehicle for deciding the question presented. The case comes to this Court after a full trial in which the district court flatly denied an instruction on the first-sale doctrine. P.A.9a, 76a. The defense would have been dispositive, for there is no dispute that Mr. Kirtsaeng's family bought the products legally in Asia from someone who was authorized to sell them. The Second Circuit grappled with the issues and wrote an extensive opinion, which is subject to an equally extensive dissent. P.A. 1-43a.

In fact, this case is an even better vehicle than *Costco* was. For the reasons described above, the copyright violation in *Costco* was somewhat contrived, for watches are not traditional subjects of copyright protection and Omega placed the minuscule globe insignia on its watches only because its legal department, responding to complaints from authorized dealers in the United States, devised a stratagem to subject them to copyright laws. *Omega S.A. v. Costco Wholesale Corp.*, 2:04-cv-05443, slip

op. at 2 (Nov. 9, 2011). In contrast, the books at issue here lie at the heart of this nation's carefully balanced copyright framework. It is no accident that this Court adopted the first-sale doctrine in a case involving books. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). If this Court is to grapple with a possible limitation on that doctrine, it is more suitable to do so in this more traditional copyright context where the value of the copyright is more in synch with the value of the product being sold—and where the copyright misuse defense will provide no backstop on remand. *See Omega S.A.*, 2:04-cv-05443, slip op. at 2.

III. THE SECOND CIRCUIT'S EXTREME INTERPRETATION OF THE COPYRIGHT ACT IS WRONG.

The Second Circuit's interpretation of the Copyright Act is inconsistent with (A) the Copyright Act's language and structure; (B) the use of the same language throughout the Act; (C) the historic purposes of first-sale doctrine; and (D) this Court's opinion in *Quality King*.

A. The Second Circuit's Interpretation Is Less Consistent with the Copyright Act's Plain Language and Inconsistent with Its Structure.

Where, as here, a phrase "is not defined by statute," this Court "normally construe[s] it in accord with its ordinary or natural meaning." *Smith v. United States*, 508 U.S. 223, 228 (1993). As the prior 4-4 split of this Court confirms, the interplay be-

tween §§ 109(a) and 602(a)(1) creates an ambiguity. The lower courts have attributed the ambiguity mainly to the wording of § 109(a). *See, e.g.*, P.A. 24a; *Costco*, 541 F.3d at 986 (focusing on the "lawfully made under this title" language in § 109(a) in discussing interplay between first-sale doctrine and § 602(a)(1)); *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009) (same).

But § 109(a) is not the only culprit. Equally to blame is a latent ambiguity in § 602(a)(1). That provision speaks in categorical terms when it says that "[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute." 17U.S.C. § 602(a)(1). The literal language seems to allow for no exceptions. But no rational court could ever conclude that there are no exceptions. Rather, there are contexts in which it is obvious that "without authority of the owner" must be interpreted to mean "without authority of the owner, *unless another provision of this Title obviates the owner's permission.*"

For example, when 2 Live Crew parodied Roy Orbison's song, "Oh, Pretty Woman," that was a "fair use" under § 107. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). So was Dorling Kindersley's reproduction of concert posters in *Grateful Dead: The Illustrated Trip*. *See Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006). 2 Live Crew's record company can sell its CDs in the U.S., and Dorling Kindersley can sell its book in the U.S., "without authority of the owner of the copyright." No one would suggest that identical

CDs or books could be seized from U.S. consumers and impounded as an infringement of the Orbison or Graham copyrights just because the record company or publisher manufactured them in Asia.

Similarly, Paul McCartney was allowed to sell his CD of quintessential American songs like "Be-Bop-A-Lula" and "Ain't No Sunshine" "without authority of the owner of copyright" just by complying with the compulsory license provisions of § 115. *See* 17 U.S.C. § 115. No one would suggest that his compulsory license is valid for CDs manufactured in the U.S., but not for the ones made in England.

In each circumstance, there is a way to read the Copyright Act to support the conclusion of non-infringement: Section 602(a)(1)'s importation prohibition expressly incorporates not only the rights of § 106, but also its limitations.

Section 106 says, "[i]mportation ... is an infringement of the exclusive right of distribution under section 106." Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the "exclusive right of distribution under section 106"—are all "[s]ubject to sections 107 through 122." 17 U.S.C. § 106. Sections 107 through 122 are all privileges—exceptions to the prohibitions against various forms of infringement, including copying, distributing, publicly displaying, etc. So, the "exclusive right of distribution" is expressly made subject to those later sections, and the importation prohibition is dependent upon the distribution right. Q.E.D., § 602(a)(1)'s importation prohibition must also be "[s]ubject to sections 107 through 122"—

which explains why fair use and compulsory licenses are exceptions to the seemingly categorical importation bar.

Of course, § 109(a) is also a privilege that falls within "sections 107 through 122." So, as this Court held in *Quality King*, 523 U.S. at 149, what is true of fair use (§ 107) and of compulsory licenses (§ 115) should generally be true of § 109(a). But there is something about the origins, wording, and perceived purpose of § 109(a) that makes courts reluctant to apply the same rule to § 109(a) that applies to the other privileges. Any court that acts on that reluctance is necessarily giving two different meanings to § 602(a)(1)'s prohibition against importing "*without the authority* of the owner of copyright"—concluding that some unauthorized importations are permissible and others are not or that some statutory privileges trump that provision and others do not. And because those courts are searching for a way to vindicate what they believe to be § 602(a)(1)'s categorical command, at least in this context, they search for an ambiguity in § 109(a), and find it in the phrase "lawfully made under this title."

This case presents a competition among three possible constructions of the phrase "lawfully made under this title" in § 109(a):

1. Petitioner's reading (embraced by the Third Circuit) is that a copy is "lawfully made under this title"—and the seller gets the benefit of the first-sale doctrine—if the copy was made "consistent with" the Copyright Act.

2. At the other end of the spectrum is the Second Circuit's reading in this case, that a copy is "lawfully made under this title" only if it was "manufactured on United States soil."

3. An intermediate position is the Ninth Circuit's position, that a copy is "lawfully made under this title" only if it was "manufactured on United States soil or manufactured abroad and then sold with the copyright owner's approval at least once after arriving on United States soil."

The most natural reading of the phrase "lawfully made under this title" in § 109(a) is the first one. In normal parlance, a copy is "lawfully made under" a statute, if it was made in compliance with the legal principles articulated in the statute—in other words, as here, if it was made by the copyright owner itself or by someone who is authorized by the copyright owner to make it. *See* 17 U.S.C. § 106 (defining exclusive rights to include the right "to authorize"). Because Wiley owns the copyright of the textbooks at issue here, any copies it made or authorized to be made were necessarily made in compliance with the Copyright Act. Consequently, such copies were "lawfully made under this title" and subject to the first-sale doctrine.

That is exactly how this Court has interpreted the same phrase in the past. In *New York Gaslight Club, Inc. v. Carey*, 447 U.S. 54 (1980), this Court confronted the question whether a state administrative claim required under 42 U.S.C. § 2000e-5(k)

constituted a proceeding "under this title." No one on the Court questioned the fundamental proposition that "under this title" meant "according to Title 42." *Id.* at 61.

One would not ordinarily read the words "lawfully made under" the Act to mean "manufactured on United States soil." There are far clearer ways to say, "made in the United States." And one certainly would not ordinarily use those five words to signify "manufactured either on United States soil or manufactured abroad and then sold with the copyright owner's approval at least once on United States soil."

In fact, "[w]hen Congress considered the place of manufacture to be important ... the statutory language clearly expresses that concern." *Sebastian Int'l*, 847 F.2d at 1098 n.1. For example, the now-expired "manufacturing requirement" provided as follows:

> [T]he importation into or public distribution in the United States of copies of a work consisting predominantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada

17 U.S.C. § 601 (1976) (emphasis added). Since Congress used the phrases "under this title" and "manufactured in the United States" in the very same sentence, it obviously did not intend to give them the same meaning. Rather, § 601 contem-

plated that a work could be both protected "under this title" and manufactured abroad.

Similarly, multiple statutes use the phrase "manufactured in the United States" when that is what was intended. *E.g.*, 15 U.S.C. § 1124 (banning importation of goods that "bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States"); 19U.S.C. § 1673c(1)(2) (providing for penalties where a trading partner "no longer prevents the suppression or undercutting of domestic prices of merchandise manufactured in the United States"); 14 U.S.C. § 97(a)(1) ("the Coast Guard may not procure buoy chain that is not manufactured in the United States").

B. The Second Circuit's Interpretation Is Inconsistent with Other Uses of the Same Phrase in the Copyright Act.

Of course, "[a] provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme—because the same terminology is used elsewhere in a context that makes its meaning clear, or because only one of the permissible meanings produces a substantive effect that is compatible with the rest of the law." *United Sav. Ass'nv. Timbers of Inwood Forest Assocs, Ltd.*, 484 U.S. 365, 371 (1988) (internal citations omitted). Other uses of the phrase "lawfully made under this title" confirm that Petitioner's straightforward definition makes perfect sense, and the Second Circuit's definition produces a substantive effect that is utterly incompatible with the rest of the law.

For example, § 106(5) grants the copyright owner the exclusive right "to display the copyrighted work publicly" subject to the limitations in §§ 107 through 122. One such limitation is § 109(c)—just two subsections away from § 109(a)—which provides that the owner of a particular physical copy "lawfully made under" the Copyright Act may publicly display it. Under the Second Circuit's interpretation of that phrase, the proprietor of a café in Buffalo could purchase a photograph of Niagara Falls printed in Niagara Falls, New York and display it without fear. But if the same photograph was printed in Niagara Falls, Ontario, she would not be allowed to hang the photo without permission, even though she has legitimate and unquestionable legal title to the copy. Under Petitioner's more natural reading of the phrase "lawfully made under" the Act, there would be no such asymmetry. Each version of the photo—regardless of where printed—would be subject to the first-sale doctrine and the purchaser could display it freely.

Equally nonsensical consequences result from applying the Second Circuit's definition to requirements introduced into Title 17 by the Audio Home Recording Act ("AHRA"), 17 U.S.C. §§ 1001 et seq. The AHRA regulates the importation and distribution of audio recording devices and media and requires manufacturers, importers, or distributors of such products to pay royalties to copyright owners. Section 1006 provides that royalties shall be distributed to those whose musical works or sound recordings have been "embodied in a digital musical recording or an analog musical recording *lawfully made under this title* that has been distributed." *Id.*

§ 1006(a)(1)(A) (emphasis added). Under the Second Circuit's interpretation, that would mean that royalty payments would be distributed only for compact discs manufactured in the United States. But § 1004 expressly provides for payment of royalties on "each digital audio recording medium imported into and distributed in the United States, *or* manufactured and distributed in the United States." *Id.* § 1004(b) (emphasis added). The two provisions were enacted at the same time and obviously were intended to be read in harmony. Only Petitioner's interpretation of that phrase—and certainly not the Second Circuit's—accomplishes that objective.

To take one last illustration, consider § 109(e). There, Congress directed that "the owner of a particular copy of [a video arcade] game *lawfully made under this title*[] is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment." *Id.* § 109(e) (emphasis added). Congress inserted this provision in 1990 to overrule *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, § 803, 104 Stat. 5089, 5136 (1990); U.S. Copyright Office, DMCA Section 104 Report 25 n.54 (2001). In *Red Baron*, the video game circuit boards were manufactured and sold in Japan, and the players played them here after they were imported into the United States. The Fourth Circuit held that the first sale doctrine did not apply—not because of a foreign manufacture, but because the first sale doctrine limited only the distribution right (and thus, according to that court, did

not exhaust the owner's ability to control all subsequent public performances). *Id.* at 280-81.

The whole point of § 109(e) was to overrule *Red Baron* by applying the exhaustion principle to public performances of all arcade games "lawfully made under this title." That result would be achieved under Petitioner's interpretation of those words—but not under the Second Circuit's interpretation. Under the Second Circuit's interpretation, "the owner of a particular copy of such a [video arcade] game" would *not* be "entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment" unless the copy was made in the United States. That would mean that the copyright owners of the Japanese arcade game in *Red Baron*, itself, would continue to this day to have the right to restrict public performance of those games even after sold and shipped to the United States. *See also* P.A. 22a (noting that the panel majority's conclusion—that "under this title" means "made in the United States"—conflicts by its terms with 17 U.S.C. § 104, which states, *inter alia*, that works "first published ... in a foreign nation" are entitled to protection "under this title").

C. The Second Circuit's Interpretation Is Inconsistent with the Historical Purpose of the First-Sale Doctrine.

The first-sale doctrine traces its roots back to this Court's opinion in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). This Court rejected the notion that the exclusive right to vend then in existence

"vested the whole field of the right of exclusive sale in the copyright owner." *Id.* at 349. This Court held that "the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose ... a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract." *Id.* at 350. At the heart of the first-sale doctrine is an exhaustion principle: Once a copyright owner has distributed a product, his exclusive right to distribute is not infringed by a resale. *Id.* The reason is that "[t]he owner of the copyright [has already sold] copies of the book in quantities and at a price satisfactory to it. It has [thus] exercised the right to vend." *Id.* at 351. The owner gets one sale.

This is precisely what happened here. Wiley's Asian subsidiary sold its works overseas and a purchaser resold them in the United States. Because Wiley "sold copies of the book in quantities and at a price satisfactory to it," its distribution rights under United States copyright laws were exhausted.

Congress codified the *Bobbs-Merrill* holding the very next year in a statutory provision that unambiguously applied the first-sale doctrine to "any copy of a copyrighted work the possession of which has been lawfully obtained"—without regard to origin. Copyright Act of 1909, Pub. L. No. 60-349, § 41, 35 Stat. 1075 (1909). And until 1976, when § 602 was enacted, no subsequent statutory formulation ever suggested that the first-sale doctrine should apply differently depending upon the origin of the copies sold.

The understanding has always been that once a consumer legally comes into possession of a copy of a book, he can sell it, lend it, or dispose of it as he sees fit. He does not have to secure a license from the copyright owner to do so. Indeed, it is through a common reliance upon these bedrock principles that communities across this country have embraced and cultivated our nation's cherished rites of friendship (the loaned book) and weekend markets (garage sales).

The Second Circuit's reading of the statute grants the copyright owner exactly the right this Court rejected in *Bobbs-Merrill*—but only for copies that are made abroad. So long as the good is made abroad, the copyright owner enjoys unlimited downstream control over all uses of that copy. For that one category—foreign-made copies—the Second Circuit grants the copyright holder eternal control. The Second Circuit's extreme interpretation eviscerates the whole concept of exhaustion. It affords copyright owners not just one opportunity to sell their works at a bargained-for price, but perpetual control, even after the copyright owner has approved a sale in this country.

The consequences are astounding:

- One or two big movie producers, like Sony or Universal, could demolish movie rental services like Netflix and Blockbuster through the simple device of manufacturing DVDs in Mexico. Sony would then have a permanent veto power on any further rental of the foreign-made DVD, for the copyright owner's

"exclusive right[] to ... distribute" includes the exclusive right to "rent[]" or "lease."

- A car manufacturer could prohibit or control resales of all automobiles. It would simply have them manufactured abroad and be sure to include onboard computer systems containing copyrighted software (or, as in *Costco*, a copyrighted emblem).

- As discussed above, libraries could not safely circulate books printed abroad for the copyright owner's "exclusive right[] to ... distribute" includes the exclusive right to "lend[]"—even for free.

- Used booksellers would be hobbled as well. Not only would they be prohibited from reselling books that were made abroad, but they could not safely sell almost any book without verifying where it was printed.

Dozens of equally perplexing and troubling scenarios flow naturally from the Second Circuit's interpretation. Any one of these consequences would be anathema to the very concept of a first-sale doctrine. All of them together make a compelling case against the Second Circuit's reading.

Petitioner's interpretation of § 109(a) is much more consistent with the origins of the first-sale doctrine. It would allow the copyright owner to have complete control over the release of a copy into the marketplace. And it would protect the copyright owner from piracy, for pirated copies could never be

considered "lawfully made under" the Copyright Act. Finally, Petitioner's interpretation would give domestically made copies no less status than foreign-made copies. In short, it would do everything that the first-sale doctrine was designed to do, without any of the untoward consequences.

D. The Second Circuit's Opinion Misapprehends § 602(a)(1) and Misreads *Quality King*.

The Second Circuit based its contrary reading on two points, captured in the following sentence: "[W]e think it best to adopt an interpretation of § 109(a) that best comports with both § 602(a)(1) and the Supreme Court's opinion in *Quality King*." P.A. 24a.

The Second Circuit's point about the scope of § 602(a)(1) began from the premise that the provision was "obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item." P.A. 24-25a. Based on that premise, the court concluded that "the mandate of § 602(a)(1) ... would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad" so long as the works were made consistent with the Act. P.A. 25a. The fallacy in the court's logic was that the conclusion does not flow from the premise. It is one thing to say that Congress wanted to give copyright holders "some flexibility" to divide up international markets, even if that meant engaging in price discrimination against U.S. citizens. It is quite another to say the Congress intended to prevent in-

ternational markets from responding to price discrimination the way markets routinely do.

Section 602(a)(1) has multiple applications even where the first-sale doctrine applies generally to works manufactured and then sold abroad with the copyright owner's authorization. One application is to facilitate copyright holders who are intent on dividing up markets—but only up to a point. Section 602(a)(1) applies where the copyright owner has divided up the international market into exclusive geographic areas, but one of its licensees violates the deal. Imagine, for example, the owner of a copyright on books, who grants Brit Publishing the right to publish in England and Yankee Publishing the right to publish in the U.S. Imagine further that Brit Publishing starts exporting its copies and selling them directly into the U.S. That is obviously a violation of his contract with the owner. But it is also an act of infringement, which is subject to all the remedies under the Copyright Act, including injunctive relief, disgorgement of the infringer's profits, statutory damages, impoundment of the infringing articles, as well as costs and attorneys fees to the prevailing party. *See* 17 U.S.C. §§ 502-05.

Beyond that, § 602(a)(1) also provides remedies against various forms of piracy. The provision obviously applies to counterfeit works—giving the copyright owner the power to enjoin any work made by someone who was never authorized to make the work. It also provides remedies in a variety of situations where the importer is not the owner of the copies and there has not yet been a first sale. For example, if the shipper of the copyrighted goods tried

to divert the shipment from its intended foreign pier and instead brought the goods to the United States, without the authorization of the copyright owner, § 602(a)(1) would subject that shipper to a claim for infringement. The first-sale doctrine would not apply to this bailee. Similarly, a company that leases original artwork from a copyright owner to display in its office space abroad would be barred by § 602(a)(1) from importing that artwork into the United States; again, the first sale doctrine would not apply to this lessee.

Understood this way, § 602(a)(1) is not at war with the first-sale doctrine. In each of these infringing scenarios, there was no first sale authorized by the copyright owner—whether domestically or abroad. And § 602(a)(1) operates with full force.

The Second Circuit was equally wrong about *Quality King*. That case affirmatively supports Petitioner's reading of the statute—and indeed rebuts the very position the Second Circuit took regarding § 602(a)(1). As noted above, in *Quality King*, this Court recognized that § 602(a)(1) and § 109(a) are easily reconciled insofar as § 602 derives from § 106 and § 106 is subject to the limitations of § 109. By syllogism then, § 602 is also subject to § 109. *See Quality King*, 523 U.S. at 145; *supra* at 20.

The Second Circuit also failed to recognize that *Quality King* expressly rejected its concern that application of the first-sale defense to imports would render § 602(a)(1) meaningless. Such a contention, this Court explained, rests on the faulty "assumption that the coverage of [602] is coextensive with the

coverage of Section 109(a)." *Id.* at 148. In fact, § 602(a)(1) is "broader because it encompasses copies that are not subject to the first sale doctrine." *Id.* at 146-47. That includes copies that are pirated as well as those that have never been sold (e.g., copies held by lessees, bailees, or consignees). *Quality King*, 523 U.S. at 147. Accordingly, *Quality King* affirmatively supports Petitioner's reading of §§ 602(a)(1) and 109(a).

The Second Circuit concluded that *Quality King* supported the opposite position only by fixating upon—and misreading—dictum in a hypothetical that this Court posed. P.A. 17-20a. That hypothetical envisioned an author dividing exclusive distribution rights between American and British publishers. It is the Brit Publishing/Yankee Publishing scenario described above—a situation where a copyright owner grants an overseas publisher the right to distribute its products, but only outside the United States. This Court observed that "[t]he first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a)." *Quality King*, 541 U.S. at 148 (emphasis added). That is exactly right. In that scenario, the copyright owner has not conferred on Brit Publishing a U.S. copyright immunity. The copies exported by Brit Publishing headed for the U.S. for a first sale have not triggered § 109(a) and are still subject to § 602(a)(1). The Second Circuit was wrong to surmise that the hypothetical's salient feature was a condition never referenced in it (place of manufacturing) rather than one that was (lack of a sale).

The exercise of statutory construction at the intersection of §§ 109(a) and 602(a)(1) presents a stark choice. Under the Second Circuit's interpretation, Congress intended to make all copies manufactured on foreign soil more valuable than those manufactured domestically. In effect, § 602(a)(1) trumps § 109(a) despite the structural and textual cues strongly indicating the contrary, and despite the complete implausibility of the notion that Congress intended to send countless manufacturing jobs overseas. Under Petitioner's (and the Third Circuit's) interpretation, Congress intended to give copyright owners a significant right—a very big stick with which to enforce their territorial contracts with worldwide distributors—but did not deliberately disadvantage domestic production of copyrighted works and at the same time grant all copyright owners the right to extract endless rents from U.S. consumers in order to subsidize their ability to generate expatriate profits. The latter is a much more plausible set of intentions to attribute to Congress.

This Court should reaffirm the principle it first announced more than a century ago in *Bobbs-Merrill*, which Congress immediately and strongly approved and from which it has never retreated. If the current Congress prefers to send manufacturing jobs overseas and force U.S. consumers to pay for the development of foreign copyright markets, it can swiftly correct the problem.

CONCLUSION

For these reasons, this Court should grant certiorari.

Respectfully submitted,

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APPENDIX

IN THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 09-4896

JOHN WILEY & SONS, INC.,

Plaintiff - Appellee

v.

SUPAP KIRTSAENG, doing business as BLUECHRISTINE99,

Defendant - Appellant

Before CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.*

Appeal from a judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation), following a jury trial, awarding statutory damages to plaintiff publisher for copyright infringement.

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* The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

Defendant claims on appeal that the District Court denied him a defense under the "first sale doctrine," 17 U.S.C. § 109(a), and erred in evidentiary rulings which, he alleges, led to the award of unduly high damages. In a case of first impression in our Court, we hold (1) that the first sale doctrine, which allows a person who buys a legally produced copyrighted work to sell or otherwise dispose of the work as he sees fit, does not apply to works manufactured outside of the United States, and (2) that the District Court did not err in its evidentiary rulings.

Affirmed.

Judge Murtha dissents in a separate opinion.

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JOSÉ A. CABRANES, *Circuit Judge*:

The "first sale doctrine" in copyright law permits the owner of a lawfully purchased copyrighted work to resell it without limitations imposed by the copyright holder.[1] The existence of the doctrine dates to 1908, when the Supreme Court held that the owner of a copyright could not impose price controls on sales of a copyrighted work beyond the initial sale.[2] Congress codified the doctrine in successive Copyright Acts, beginning with the Copyright Act of 1909.[3]

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[1] The first sale doctrine is codified at 17 U.S.C. § 109(a) which reads, in relevant part:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy . . . lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy . . . .

17 U.S.C. § 109(a).

[2] *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

[3] See Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909); Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947); Copyright Act of 1976, ch. 1, § 109, 90 Stat. 2541, 2548 (codified at 17 U.S.C. § 109(a)) (1976).

The principal question presented in this appeal is whether the first sale doctrine, 17 U.S.C. § 109(a), applies to copyrighted works produced outside of the United States but imported and resold in the United States. Under another basic copyright statute, it is ordinarily the case that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies . . . of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies . . . ." [4]

Defendant contends, however, that individuals may import and resell books manufactured abroad pursuant to 17 U.S.C. § 109(a), which provides that "the owner of a particular copy . . . lawfully made under [the Copyright Act], or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy."

Defendant's claim is an issue of first impression in our Court.[5]

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[4] 17 U.S.C. § 602(a)(1).

[5] District courts within our Circuit have addressed this issue. *See Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 416 (S.D.N.Y. 2009) (Holwell, *J.*) (holding "dubitante" that § 109 (a) does not apply to foreign manufactured goods imported into the United States); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y. May 13, 2008) (Stein, *J.*) (holding that § 109(a) does not apply to foreign manufactured goods imported into the United States). In addition, the Ninth Circuit recently held that § 109(a) does not

BACKGROUND

A. The Parties

Plaintiff-appellee John Wiley & Sons, Inc. ("plaintiff" or "Wiley") is the publisher of academic, scientific, and educational journals and books, including textbooks, for sale in domestic and international markets. Wiley relies upon a wholly-owned subsidiary, John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), to manufacture books for sale in foreign countries.[6] While the written content of books for the domestic and international markets is often similar or identical, books intended for international markets can differ from the domestic version in design, supplemental content (such as accompanying CD-ROMS), and the type and quality of materials used for printing, including "thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, [and] lower quality photographs and graphics." Joint App'x at 18. The foreign editions, moreover, are

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apply to foreign-manufactured goods unless they were previously imported and sold in the United States with the copyright holder's permission. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an evenly divided Court, Costco Wholesale Corp. v. Omega*, S.A., 131 S. Ct. 565 (2010).

[6] As a standard practice, Wiley obtains from its authors the assignment of U.S. and foreign copyrights of reproduction and distribution. The assignment of these copyrights allows Wiley to produce and distribute its works in both domestic and foreign markets.

marked with a legend to designate that they are to be sold only in a particular country or geographic region. One example of such a designation reads as follows:

> **Authorized for sale in Europe, Asia, Africa and the Middle East Only**. This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

Joint App'x at 406 (emphasis in original).

Defendant Supap Kirtsaeng ("defendant" or "Kirtsaeng") moved to the United States from Thailand in 1997 to pursue an undergraduate degree in mathematics at Cornell University. According to Kirtsaeng, he later moved to California to pursue a doctoral degree.

B. The Instant Action

To help subsidize the cost of his education, Kirtsaeng allegedly participated in the following scheme: between 2007 and September 8, 2008, Kirtsaeng's friends and family shipped him foreign edition textbooks printed abroad by Wiley

Asia. In turn, Kirtsaeng sold these textbooks on commercial websites such as eBay.com. Using the revenues generated from the sales, Kirtsaeng would reimburse his family and friends for the costs that they incurred during the process of acquiring and shipping the books and then keep any remaining profits for himself. Kirtsaeng claims that, before selling the textbooks, he sought advice from friends in Thailand and consulted "Google Answers," a website which allowed web users to seek research help from other web users, to ensure that he could legally resell the foreign editions in the United States.

On September 8, 2008, Wiley filed this action against Kirtsaeng in the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation), claiming, among other things, copyright infringement under 17 U.S.C. § 501,[7]

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[7] 17 U.S.C. § 501(a) provides, in relevant part:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 [of the Copyright Act] or of the author as provided in section 106A(a), or who imports copies . . . into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.

17 U.S.C. § 501(a).

Wiley holds registered United States copyrights for the American editions of the works at issue in this case. Although the foreign editions probably would not be protected by United

trademark infringement under 15 U.S.C. § 1114(a), and unfair competition under New York state law.[8] Wiley sought a preliminary and permanent injunction under 17 U.S.C. § 502(a),[9] and statutory damages under 17 U.S.C. § 504(c).[10]

States copyright law if infringement occurred abroad, see Robert Stigwood Grp. Ltd. v. O'Reilly, 530 F.2d 1096 (2d Cir. 1976), the sale of the foreign editions in the United States allegedly infringes the U.S. copyrights held by Wiley on its American editions.

[8] Wiley later abandoned its trademark and unfair competition claims.

[9] 17 U.S.C. § 502(a) provides, in relevant part:

> Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 502(a).

[10] 17 U.S.C. § 504(c)(1)-(2) provides, in relevant part:

> Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. . . . In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its

C. Relevant Pre-Trial Proceedings

In anticipation of trial, Kirtsaeng submitted proposed jury instructions charging that the first sale doctrine was a defense to copyright infringement. By Order dated October 9, 2009, the District Court prohibited Kirtsaeng from raising this defense and rejected the applicability of the first sale doctrine to foreign editions of textbooks, holding that "[t]here is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act . . . [and,] [t]o the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States."[11]

On October 23, 2009 and November 3, 2009, Kirtsaeng filed motions *in limine* to preclude the introduction at trial of (1) his online "PayPal" sales records, and specifically, evidence of his

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discretion may increase the award of statutory damages to a sum of not more than $150,000.

17 U.S.C. § 504(c).

We have recently observed that "the total number of awards of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed . . . regardless of the number of infringements of those works." *WB Music Corp. v. RTV Commc'n Grp., Inc.*, 445 F.3d 538, 540 (2d Cir. 2006) (internal quotation marks omitted).

[11] *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009) (DCP).

gross revenues from the sales of the foreign editions of Wiley's books, and (2) the profits he earned on unrelated sales activities. From the bench during a pre-trial conference on November 3, 2009, the District Court granted the motions in part and denied them in part. The Court explained that Wiley could not introduce evidence of profits earned by Kirtsaeng from the sales of textbooks produced by other publishers, but "in . . . anticipation that the net worth testimony [would indicate] that [Kirtsaeng did not have] significant net worth . . . [Wiley's counsel had the] right to inquire about additional revenues and the profits therefrom and where they went in order to make sure that we had an accurate record about [Kirtsaeng's] net worth." Joint App'x at 195. The Court further stated that Wiley's counsel "must be careful not to refer to these [unrelated] sales in any way as infringing sales, because that would be entirely improper." *Id.*

D. Events at Trial

At trial, during direct examination, Wiley's counsel asked Kirtsaeng, "Now sir, if we were to go back and look at January 1st of 2008, what were your financial assets at that point in time?"

The District Court sustained an objection by Kirtsaeng's counsel and a sidebar discussion followed.

After the sidebar conference and a recess, the first question by Wiley's counsel to Kirtsaeng was: "Mr. Kirtsaeng, before the break we were talking

about your net worth during the period of 1999, correct? Excuse me. 2009." Kirtsaeng answered "yes." Wiley's counsel proceeded to ask Kirtsaeng a series of questions about his "net worth" in an attempt to impeach his previous statements. Specifically, he attempted to enter into evidence a record of Kirtsaeng's PayPal revenues, showing $1.2 million in revenues, in contrast to Kirtsaeng's previous testimony that he had earned only $900,000 in revenues. Joint App'x at 295-97.

At a second sidebar conference, during which the jury was excused from the courtroom, the District Court excluded the record of the PayPal evidence as "confusing and unfairly prejudicial." *Id.* at 298.

When the jury reentered the courtroom, Wiley's counsel continued to ask Kirtsaeng about his revenues from eBay sales. Although Kirtsaeng's counsel immediately objected to the line of questioning on the basis that it had already been "asked and answered"—an objection the District Court initially sustained—the Court subsequently allowed the questioning, explaining that it was uncertain whether the same questions had in fact been asked of the witness earlier in the examination.

At the end of the trial, the District Court charged the jury to determine whether Kirtsaeng had infringed the copyrights of each of eight works and whether any such infringements had been willful. The District Court explained that, under the statutory damages scheme found at 17 U.S.C.

§ 504(c), *see* note 10, *ante*, if the jury found that Kirtsaeng had infringed Wiley's copyright, it could award no less than $750 and no more than $30,000 in damages for each infringed work.

The District Court identified two exceptions to this rule. First, the District Court instructed the jury that, if it found that Wiley had proved by a preponderance of the evidence that the infringement was willful, under the statutory scheme the jury had the option of awarding up to $150,000 in damages per infringed work. Second, if the jury found that Kirtsaeng had proved by a preponderance of the evidence "that he was not aware and had no reason to believe that his acts constituted an infringement of copyright," the jury could choose to impose an award of statutory damages as low as $200 per infringed work. The jury ultimately found Kirtsaeng liable for willful copyright infringement of all eight works and imposed damages of $75,000 for each of the eight works.

Kirtsaeng filed a timely notice of appeal. He claims that (1) the District Court erred in holding that the first sale doctrine was not an available defense in the circumstances presented; (2) the District Court should have advised the jury of the first sale doctrine as a defense to the claim of willful infringement; and (3) with respect to the jury's assessment of statutory damages, the admission into evidence of testimony regarding the amount of Kirtsaeng's gross receipts was unduly prejudicial.

DISCUSSION

A. The first sale doctrine does not apply to goods produced outside of the United States.

(1) Standard of review

The threshold question is whether, pursuant to § 109(a) of the Copyright Act, *see* note 1, *ante*, the District Court correctly determined that the phrase "lawfully made under this title" does not include copyrighted goods manufactured abroad.

Where the decision of a district court "presents only a legal issue of statutory interpretation . . . [w]e review *de novo* whether the district court correctly interpreted the statute."[12]

(2) Interpreting the First-Sale Doctrine

In the Copyright Act of 1976, Congress enacted what is now 17 U.S.C. § 602(a)(1).[13] That section provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the

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[12] *Perry v. Dowling*, 95 F.3d 231, 235 (2d Cir. 1996) (citing *White v. Shalala*, 7 F.3d 296, 299 (2d Cir. 1993)).

[13] In 2008, Congress amended the statute, resulting in the re-designation of what had been § 602(a) as § 602(a)(1). Act of October 13, 2008, Pub. L. 110-403, Title I, § 105(b)-(c)(1), 122 Stat. 4259.

> United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

Even if the conduct at issue in this case is otherwise covered by this statutory language, Kirtsaeng contends that he is shielded from any liability under the Copyright Act by § 109(a), *see* note 1, *ante*. Again, in relevant part, that section provides: "Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy . . . lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." Section 109(a) is a codification of the longstanding "first sale doctrine."[14]

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[14] The first sale doctrine was first endorsed by the Supreme Court in the landmark 1908 case of *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908). In that case, the publishers of *The Castaway*, a popular novel, inserted the following notice after the title page of the book: "The price of this book at retail is $1 net. No dealer is licensed to sell it at a less [sic] price, and a sale at a less [sic] price will be treated as an infringement of the copyright." *Id.* at 341. The publishers subsequently sued a department store that had purchased copies of the books at wholesale and sold them each at retail for eighty-nine cents. The Supreme Court held:

> The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.

There is at least some tension between § 602(a)(1), which seemingly seeks to give copyright holders broad control over the circumstances in which their copyrighted material

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> In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.

Id. at 350.

The Supreme Court made clear that the matter before it "was purely a question of statutory construction." *Id.* The relevant statute provided that copyright owners had "the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and *vending*" their copyrighted works. Copyright Act of 1891, § 4952, 26 Stat. 1107 (emphasis added). Congress promptly codified the holding in *Bobbs-Merrill*—which became known as the first sale doctrine—in the 1909 Copyright Act. Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909) ("[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.").

The current version of the first sale doctrine—as codified in § 109(a)—differs in two noticeable respects from the version Congress first passed in 1909. First, under current copyright law, the exclusive right to "vend" granted to copyright holders has been replaced by the exclusive right to "distribute." See § 106(3). However, the Supreme Court has indicated that, at least for purposes of the first sale doctrine, nothing of consequence turns on this alteration. *See Quality King*, 523 U.S. 135, 152 (1998). The second change is that the first sale doctrine no longer applies to "any copy of a copyrighted work," but rather, only to any copy "lawfully made under this title."

may be imported (directly or indirectly) into the United States, and § 109(a), which limits the extent to which the copyright holder may limit distribution following an initial sale. The Supreme Court first had occasion to address the interplay between § 602(a)(1) and § 109(a) in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*[15]

Quality King involved the sales practices of L'anza Research International, a California corporation engaged in the business of manufacturing and selling shampoos, conditioners, and other hair care products. L'anza sold its products domestically and internationally, but its prices to foreign distributors were 35% to 40% lower than the prices charged to its domestic distributors. L'anza brought suit against Quality King Distributors, Inc., which had purchased shipments of L'anza's products from one of L'anza's foreign distributors and then re-imported the products into the United States for re-sale. L'anza alleged that Quality King's actions violated its "exclusive rights under 17 U.S.C. §§ 106, 501 and 602 to reproduce and distribute the copyrighted material in the United States."[16] The Supreme Court heard the case in order to decide the question of "whether the 'first sale' doctrine

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[15] 523 U.S. 135 (1998).

[16] *Id.* at 140 (quotation marks omitted).

endorsed in § 109(a) is applicable to imported copies."[17]

In a unanimous opinion, the Supreme Court held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a).[18] However, there was a key factual difference at work in *Quality King* that is of critical importance to our disposition of the instant appeal. In *Quality King*, the copyrighted items in question had all been manufactured in the United States. Indeed, this important fact provided the basis for Justice Ginsburg's brief concurring opinion, in which she explained: "This case involves a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad."[19]

Although the majority opinion did not directly address the question of whether § 109(a) can apply to items manufactured abroad, the opinion contains instructive *dicta* that guides our disposition of the issue. In particular, the Court took pains to explain ways in which § 109(a) and § 602(a) do, and do not, overlap. As the Court stated: "[A]lthough both the first sale doctrine

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[17] *Id.* at 138.

[18] *Id.* at 145.

[19] *Id.* at 154 (Ginsburg, J., concurring).

embodied in § 109(a) and the exceptions in § 602(a) may be applicable in some situations, the former does not subsume the latter; those provisions retain significant independent meaning."[20] For instance, § 602(a) "encompasses copies that are not subject to the first sale doctrine—e.g., copies that are lawfully made under the law of another country[.]"[21] The Court even pondered the following hypothetical:

> If the author of [a] work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, . . . presumably only those made by the publisher of the U.S. edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).[22]

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[20] *Id.* at 148-49 (majority opinion).

[21] *Id.* at 148.

[22] *Id.*

In these passages, the Court suggests that copyrighted material manufactured abroad cannot be subject to the first sale doctrine contained in § 109(a).

The Supreme Court recently seemed poised to transform this dicta into holding when it granted a writ of *certiorari* to review the Ninth Circuit's decision in *Omega S.A. v. Costco Wholesale Corp.*[23] That case involved the importation into the United States of Omega-brand watches by unidentified third parties without the permission of Omega; the watches were ultimately purchased and resold by Costco Wholesale Corporation. The Ninth Circuit maintained its well-settled position that § 109(a) does not apply to items manufactured outside of the United States unless they were previously imported and sold in the United States with the copyright holder's permission.[24] After hearing oral argument, an equally divided Supreme Court (with Justice Kagan recused) was obliged to affirm the judgment rendered by the Ninth Circuit.[25]

Without further guidance from the Supreme Court, we now consider the extent to which the protections set forth in § 109(a) may apply to items manufactured abroad. In doing so, we rely

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[23] 541 F.3d 982 (9th Cir. 2008).

[24] *Id.* at 990.

[25] *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

on the text of § 109(a), the structure of the Copyright Act, and the Supreme Court's opinion in *Quality King*.

(3) Textual Analysis

We start, of course, by turning to the statutory language enacted by Congress. "Statutory interpretation always begins with the plain language of the statute, assuming the statute is unambiguous."[26] In the instant case, we are principally called upon to give meaning to the phrase "lawfully made under this title" contained in § 109(a).[27]

In arriving at a satisfactory textual interpretation of the statutory language at issue, we focus primarily on the words "made" and "under," but this task is complicated by two factors: (1) the word "made" is not a term of art in the Copyright Act,[28] and (2) "[t]he word 'under' is

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[26] *Universal Church v. Geltzer*, 463 F.3d 218, 223 (2d Cir. 2006).

[27] Again, § 109(a), in relevant part, provides:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy . . . lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy . . . .

[28] A simple and authoritative dictionary definition of "made" is "artificially produced by a manufacturing process." *Webster's Third New International Dictionary* 1356 (1976).

[a] chameleon" and courts "must draw its meaning from its context."[29] Wiley contends that we must interpret "lawfully made under this title" to mean "lawfully made in the United States." This view of the law—which was also adopted by the United States in its *amicus* brief before the Supreme Court in *Costco*[30]—is certainly consistent with the text of § 109(a).[31] It is also the logical consequence, Wiley submits, of the general presumption against the extraterritorial application of statutes,[32] a presumption which we have specifically applied to the copyright laws.[33] Wiley argues that Title 17 only applies in the United States, and thus, copyrighted items can only be "made" under that title if they were physically made in this country.

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[29] *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010).

[30] Brief for the United States as *Amici Curiae* in Support of Respondent, at 5, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423).

[31] The Supreme Court has previously defined "under" to mean "subject to" and "governed by." *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (defining the meaning of the word "under" in the Equal Access to Justice Act).

[32] *See Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010) ("It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." (quotation marks omitted)).

[33] *See, e.g., Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application.").

But the extraterritorial application of Title 17 is more complicated than Wiley allows, since certain provisions in Title 17 explicitly take account of activity occurring abroad. Most notably, § 104(b)(2) provides that "[t]he works specified by sections 102 and 103, when published, *are subject to protection under this title* if the work is first published in the United States *or in a foreign nation* that, on the date of first publication, is a treaty party[.]"[34] Indeed, because § 104(b)(2) provides that copyright protection can apply to works published in foreign nations, it is possible to interpret § 109(a)'s "lawfully made under this title" language to mean, in effect, "any work that is subject to protection under this title."

There are other reasons why a textual analysis alone is not sufficient to support Wiley's preferred reading of § 109(a). Most obviously, if Congress had intended the first sale doctrine—at least as codified by § 109(a)—to apply only to works made in the United States, it could have easily written the statute to say precisely that.[35] Moreover,

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[34] 17 U.S.C. § 104(b)(2) (emphasis added). *Quality King* also explained how certain provisions of Title 17 might apply to activity occurring abroad. 523 U.S. at 145 n.14 ("[T]he owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does."

[35] At oral argument before the Supreme Court in Costco, the United States tried to argue that its interpretation of § 109(a) (which, again, is also Wiley's) is not perfectly interchangeable with "lawfully made in the United States,"

"lawfully made under this title" appears in other provisions of Title 17 where it is at least arguable that Congress intended this language to apply to works manufactured outside of the United States. For instance, § 1006(a)(1) of the Audio Home Recording Act provides for applicable royalty payments to be made to "any interested copyright party whose musical work or sound recording has been embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed . . . ."[36] It is the view of the U.S. Copyright Office that distribution of royalty payments under this Act is not limited to those recordings manufactured in the United States.[37]

But while a textual reading of § 109(a) does not compel the result favored by Wiley, it does not foreclose it either. The relevant text is simply unclear. "[L]awfully made under this title" could plausibly be interpreted to mean any number of things, including: (1) "manufactured in the United

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"because at least in theory, it would be possible for the creation of a copy to entail a violation of environmental laws, workplace safety laws, minimum wage laws, et cetera." Transcript of Oral Argument at 38, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423). This argument, while clever, is unpersuasive.

[36] 17 U.S.C. § 1006(a)(1)(A).

[37] *See Digital Audio Recording Technology (DART) Factsheet on Filing Claims for Royalty Distribution*, U.S. Copyright Office, http://www.copyright.gov/carp/dartfact.html (last visited June 23, 2011).

States," (2) "any work made that is subject to protection under this title," or (3) "lawfully made under this title had this title been applicable."[38]

(4) Section 602(a)(1) and Quality King

Confronted with an utterly ambiguous text, we think it best to adopt an interpretation of § 109(a) that best comports with both § 602(a)(1) and the Supreme Court's opinion in *Quality King*.[39]

Section 602(a)(1) prohibits the importation into the United States of copyrighted works acquired abroad without the authorization of the copyright holder. This provision is obviously intended to allow copyright holders some flexibility to divide

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[38] Kirtsaeng would prevail if we adopted either of the latter two definitions, but these definitions, like Wiley's, are at best merely consistent with a textual reading of § 109(a). To further complicate the matter, both of these possible formulations are explicitly employed elsewhere in Title 17. See 17 U.S.C. § 401 ("Whenever a *work protected under this title* is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section may be placed on publicly distributed copies from which the work can be visually perceived . . . ." (emphasis added)); 17 U.S.C. § 602(b) ("In a case where the making of the copies and phonorecords would have constituted an infringement of copyright *if this title had been applicable*, their importation is prohibited." (emphasis added)). Once again, if Congress had intended § 109(a) to reflect either one of those formulations, it could have employed their language with precision.

[39] *See David v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.").

or treat differently the international and domestic markets for the particular copyrighted item. If the first sale doctrine codified in § 109(a) only applies to copyrighted copies manufactured domestically, copyright holders would still have a free hand—subject, of course, to other relevant exceptions enumerated in Title 17, such as those in §§ 107, 108, and 602(a)(3)—to control the circumstances in which copies manufactured abroad could be legally imported into the United States. On the other hand, the mandate of § 602(a)(1)—that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies . . . of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies"—would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad that was either made "subject to protection under Title 17," or "consistent with the requirements of Title 17 had Title 17 been applicable."[40] This reading of the

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[40] Under Kirtsaeng's definition, § 602(a)(1) would only permit U.S. copyright holders to control the importation of their works into the United States when (i) the individual importing the work does not legally "own" the copy in question, or (ii) the work in question was produced in a country where United States copyright is not protected. While these remaining categories would ensure that § 602(a)(1) would not be rendered useless, copyright holders would have little control over the importation of their works under Kirtsaeng's theory. Specifically, in order to exclude certain copies from entering the United States, copyright holders would be required either to (i) not sell their goods, or (ii) produce them in countries that may not honor their copyright in the first place.

Copyright Act militates in favor of finding that § 109(a) only applies to domestically manufactured works. While the Ninth Circuit in *Omega* held that §109(a) also applies to foreign-produced works sold in the United States with the permission of the copyright holder, that holding relied on Ninth Circuit precedents not adopted by other courts of appeals. Accordingly, while perhaps a close call, we think that, in light of its necessary interplay with § 602(a)(1), § 109(a) is best interpreted as applying only to works manufactured domestically.

In adopting this view, we are comforted by the fact that our interpretation of § 109(a) is one that the Justices appear to have had in mind when deciding *Quality King*. There, the Court reasoned, admittedly in *dicta*, that § 602(a)(1) had a broader scope than § 109(a) because, at least in part, § 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country."[41] This last sentence indicates that, in the Court's view, works "lawfully made" under the laws of a foreign country—though perhaps not produced *in violation* of any United States laws—are not necessarily "lawfully made"

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[41] 523 U.S. at 147.

insofar as that phrase is used in § 109(a) of our Copyright Act.[42]

Applying these principles to the facts of this case, we conclude that the District Court correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a) since all the books in question were manufactured outside of the United States.[43] In sum, we hold that the phrase "lawfully made under this Title" in § 109(a) refers specifically and exclusively to works that are made in territories in which the

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[42] This interpretation seems to be confirmed by language later in the opinion explaining that § 602(a) has a broader scope than § 109(a) "because it encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country[.]" *Id.* at 148.

[43] We do note, however, that while all the books in question were printed abroad, they all bore American copyright notices. The same was true of the watches at issue in *Costco*. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983 (9th Cir. 2008). One difference between the two cases is that at least two of the foreign editions at issue in the instant case contain explicit warnings invoking Title 17. For example, the back cover of *Fundamentals of Heat and Mass Transfer* (Sixth Edition) states: "No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act . . . ." Joint App'x at 387. Since this book was "[p]rinted in Asia," and prohibited from ever being imported into the United States, we are admittedly somewhat puzzled as to why Title 17 is invoked. Nevertheless, to the extent Title 17 governs at all, we have no reason to conclude that every provision, including § 109(a), applies to the manufacture of works made abroad.

Copyright Act is law, and not to foreign-manufactured works.[44]

We freely acknowledge that this is a particularly difficult question of statutory construction in light of the ambiguous language of § 109(a), but our holding is supported by the structure of Title 17 as well as the Supreme Court's opinion in *Quality King*. If we have misunderstood Congressional purpose in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen by Congress or which Congress now finds unpalatable, Congress is of course able to correct our judgment.

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[44] Kirtsaeng argues that this holding is undesirable as a matter of public policy because it may permit a plaintiff to vitiate the first sale doctrine by "manufactur[ing] *all* of its volumes overseas only to then ship them into the U.S. for domestic sales." Defendant-Appellant's Br. at 21. Phrased differently, it is argued that any such decision may allow a copyright holder to completely control the resale of its product in the United States by producing its goods abroad and then immediately importing them for initial distribution. In this sense, the copyright holder would arguably enjoy the proverbial "best of both worlds" because, in theory, the consumer could not rely on the first sale doctrine to re-sell the imported work. In other words, the copyright holder would have an incentive to "outsource" publication to foreign locations to circumvent the availability of the first sale doctrine as a defense for consumers wishing to re-sell their works in the domestic market. The result might be that American manufacturing would contract along with the protections of the first sale doctrine. Kirtsaeng argues that this could not possibly have been Congress's intent. We acknowledge the force of this concern, but it does not affect or alter our interpretation of the Copyright Act.

B. The District Court did not err in its instructions to the jury.

"We review jury instructions *de novo*, and reverse only when the charge, viewed as a whole, constitutes prejudicial error."[45] Kirtsaeng claims that the District Court erred by rejecting proposed jury instructions that acknowledged that the applicability of the first sale doctrine to foreign-produced goods was an unresolved question in the federal courts. Specifically, Kirtsaeng argues that he was prejudiced by the Court's failure to charge that the first sale doctrine was an unsettled area of law because the charge was essential to his argument that he had performed pre-sale internet research regarding the legality of his sales and therefore had not "willfully" infringed the copyrights.

It is undisputed that Kirtsaeng's counsel did not object to the final jury instructions during trial. "[F]ailure to object to a jury instruction . . . prior to the jury retiring results in a waiver of that objection."[46] Nonetheless, under Federal Rule of Civil Procedure 51(d)(2), we "may consider a plain error in the instruction that has not been preserved as required [under Rule 51] if the error affects substantial rights."

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[45] *United States v. Amato*, 540 F.3d 153, 164 (2d Cir. 2008).

[46] *Jarvis v. Ford Motor Co.*, 283 F.3d 33, 57 (2d Cir. 2002) (quotation marks omitted); *see also* Fed. R. Civ. P. 51.

"To constitute plain error, a court's action must contravene an established rule of law."[47] Kirtsaeng does not meet his burden under this stringent standard. Although the District Court was free to permit the jury to consider the unsettled state of the law in determining whether Kirtsaeng's conduct was willful,[48] we can find no binding authority for the proposition that it was required to do so.[49] Furthermore, Kirtsaeng was provided ample opportunity to introduce evidence at trial and to argue to the jury that his internet research had led him to believe that his conduct was not unlawful. Accordingly, we cannot conclude that the District Court plainly erred in declining to give Kirtsaeng's proposed instruction.

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[47] *Lavin-McEleny v. Marist Coll.*, 239 F.3d 476, 483 (2d Cir. 2001).

[48] *See N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (holding that infringement is "willful" for the purpose of awarding enhanced statutory damages only if the defendant had "knowledge that [his] actions constitute[d] an infringement" or if the defendant exhibited "reckless disregard of the copyright holder's rights" (quotation marks omitted)); *cf. LNC Invs., Inc. v. First Fid. Bank, N.A.*, 173 F.3d 454, 468 (2d Cir. 1999) (holding that the jury was properly instructed to consider the unsettled state of the law in determining whether the defendants' actions were prudent).

[49] *But cf., e.g., Hearst Corp. v. Stark*, 639 F. Supp. 970, 980 (N.D. Cal. 1986) (holding that there could be no finding of willful copyright infringement as a matter of law where the wrongfulness of the defendant's actions depended on an unsettled question of law).

C. The District Court did not err in allowing into evidence the amount of defendant's gross revenues.

Kirtsaeng argues that admission of evidence regarding his gross revenues prejudiced him by confusing the jury as to the amount of damages that should have been awarded to Wiley. He suggests that the majority of his revenues came from the sale of other publishers' used volumes, many of which were produced in the United States, and claims that because of the evidence of revenues that the judge permitted to be presented to the jury, he was inappropriately forced to pay high statutory damages.

To determine whether evidence of the amount of defendant's gross revenues was properly admitted, ordinarily we first determine the appropriate standard of review. As stated above, where a party does not contemporaneously object to an evidentiary ruling, that party must demonstrate that the District Court committed "plain error."[50] However, even if a proper objection was asserted in a timely fashion, we accord "considerable deference to a district court's decision to admit . . . evidence" pursuant to Federal Rule of Evidence 403(b)[51] and will reverse

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[50] Fed. R. Civ. P. 51 (d)(2).

[51] *SEC v. DiBella*, 587 F.3d 553, 571 (2d Cir. 2009) (quotation marks omitted). Rule 403(b) provides: "Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by

a district court's evidentiary ruling only if it constitutes an abuse of discretion.[52] When we review a district court's "judgment regarding the admissibility of a particular piece of evidence under [Federal Rule of Evidence] 403, we generally maximize its probative value and minimize its prejudicial effect."[53] Here, however, we need not reach the question of whether Kirtsaeng's counsel properly objected to the admission of evidence regarding his gross revenues because we hold that admission of the evidence by the District Court was not error or an abuse of discretion, and certainly not plain error.

At trial, the jury awarded $75,000 in statutory damages per copyrighted work for Kirtsaeng's willful infringement of eight works. Under the relevant statutory provision, 17 U.S.C. § 504(c), *see* note 10, *ante*, the jury could have awarded damages of up to $150,000 per copyrighted work. Because abundant evidence was available to support the jury's finding of willfulness, the admission of information about Kirtsaeng's revenues was not prejudicial—that is, the jury could have imposed the same amount of damages

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considerations of undue delay, waste of time, or needless presentation of cumulative evidence." Fed. R. Evid. 403(b).

[52] *DiBella*, 587 F.3d at 571; *cf. Sims v. Blot*, 534 F.3d 117, 132 (2d Cir. 2008) (explaining the term of art "abuse of discretion").

[53] *United States v. Downing*, 297 F.3d 52, 59 (2d Cir. 2002) (quotation marks omitted).

without knowledge of Kirstaeng's revenues. For example, the books in question clearly stated the following:

> This book is authorized for sale [in a foreign region] only and may not be exported out of this region. Exportation from or importation of this book to another region without the Publisher's authorization, is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

In these circumstances, it does not seem anomalous or extraordinary that the jury made the findings it did, and we see no reason to conclude that the District Court's decision was improper under Rule 403(b).

CONCLUSION

To summarize, we hold that (1) the first sale doctrine does not apply to works manufactured outside of the United States; (2) the District Court did not err in declining to instruct the jury regarding the unsettled state of the first sale doctrine; and (3) the District Court did not err in admitting evidence of Kirtsaeng's gross revenues.

Accordingly, the judgment of the District Court is **AFFIRMED**.

J. GARVAN MURTHA, *District Judge*, dissenting:

As noted by the majority, the application of the first sale doctrine when a copy is manufactured outside the United States is an issue of first impression in this Circuit. The Supreme Court has recently considered the issue but unfortunately provided no specific guidance. *See Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), *aff'g by an equally divided court* 541 F.3d 982 (9th Cir. 2008) (holding the first sale doctrine does not apply to foreign manufactured copies unless previously imported and sold with the copyright holder's authorization). Unlike the majority, I conclude the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured. Accordingly, I respectfully dissent.

The Copyright Act sections that are pertinent to this appeal -- 17 U.S.C. §§ 106(3), 109(a), and 602(a)(1) -- are set out in the opinion of the majority. The distribution right of § 106(3) primarily protects a copyright owner's ability to control the terms on which her work enters the market. The first sale doctrine of § 109(a) limits the scope of this distribution right. Finally, § 602(a)(1) addresses the extent to which the distribution right allows a copyright owner to also control importation of copies of her work

The Supreme Court has held a copyright owner's § 602(a) right to control the importation of copies of her work is derivative of § 106(3)'s distribution right, which is subject to the first sale

doctrine. *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 149 (1998). The Court noted "the text of § 602(a) itself unambiguously states that the prohibited importation is an infringement of the exclusive distribution right 'under section 106, actionable under section 501.'" *Id.* Because the rights granted in § 106(3) are "subject to sections 107 through 122," the copyright owner's power to limit importation is qualified by the first sale doctrine of § 109(a). *Id.* at 144.

The issue is whether this holding can be extended to copies manufactured outside the United States. The *Quality King* Court held the first sale doctrine applies to imported copies that were made in the United States. Here, the district court held -- and the majority affirms -- the doctrine does not apply to imported copies that were made abroad because § 109(a) applies only to copies that are "lawfully made under this title," and that means physically manufactured in the United States. *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009). The court's decision is based on the following dicta in *Quality King*:

> Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights-enforceable under the Act-to the

> publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) . . . .

523 U.S. at 148 (footnote omitted).

I respectfully disagree with the court's analysis. To apply, § 109(a) requires (1) the person claiming protection be the owner of the copy, and (2) the copy was "lawfully made under this title." 17 U.S.C. § 109(a). Courts have split over the meaning of "lawfully made under this title," with some holding it means "legally manufactured . . . within the United States," *CBS v. Scorpio Music Distrib.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd without opinion*, 738 F.2d 424 (3d Cir. 1984); *see also Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987 (9th Cir. 2008), *aff'd by an equally divided court* 131 S. Ct. 565 (2010), and others "confess[ing] some uneasiness with this construction" and suggesting "lawfully made under this title" refers not to the place a copy is manufactured but to the lawfulness of its manufacture as a function of U.S. copyright law. *Sebastian Int'l, Inc. v. Consumer Contacts*

(PTY) Ltd., 847 F.2d 1093, 1098 n.1 (3rd Cir. 1988).

The statutory text does not refer to a place of manufacture: It focuses on whether a particular copy was manufactured lawfully under title 17 of the United States Code. 17 U.S.C. § 109(a). The United States law of copyrights is contained in title 17. Accordingly, the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law. *Pearson Educ. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009) (John Wiley & Sons, Inc. was a plaintiff in this action as well). A U.S. copyright owner may make her own copies or authorize another to do so. 17 U.S.C. § 106(1). Thus, regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law. Here, Wiley, the U.S. copyright holder, authorized its subsidiary to manufacture the copies abroad, which were purchased and then imported into the United States.

This interpretation of "lawfully made" is supported by the language of the Copyright Act as a whole. For example, Congress used the phrase "under this title" in multiple sections of the Act to describe the scope of rights created by the Act. *See, e.g.*, 17 U.S.C. § 104(a) (providing certain works, "while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author"); *id.* § 105 (providing "copyright protection under this title is not available for any work" of the U.S. government); *id.* § 106 (providing "the owner of

copyright under this title has the exclusive rights to . . . ."). However, "[w]hen Congress considered the place of manufacture to be important, . . . the statutory language clearly expresses that concern." *Sebastian*, 847 F.2d at 1098 n.1. For example, § 601(a), the "manufacturing requirement," provides:

> Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is *protected under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States* or Canada.

17 U.S.C. § 601(a)(1) (emphasis added). Also, as the majority points out, § 104(b)(2) provides "[t]he works specified by sections 102 and 103, when published, are subject to protection under this title if the work is first published *in the United States or in a foreign nation* . . . ." 17 U.S.C. § 104(b)(2) (emphasis added). If Congress intended § 109(a) to apply only to copies manufactured in the United States, it could have stated "lawfully manufactured in the United States under this title." As Congress did not include "manufactured in the United States" in § 109(a), though it was clearly capable of doing so as demonstrated by § 601(a), the omission supports the conclusion that Congress did not intend the language "lawfully manufactured under this title" to

limit application of § 109(a) to only copies manufactured in the United States.[54]

As noted in the majority opinion, supra note 14, the first sale doctrine originated in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). There the Supreme Court held defendant-retailer's sales of a copyrighted book for less than the price noted on the copyright page was not a copyright violation. *Id.* at 341. "The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Bobbs Merrill*, 210 U.S. at 350. Once the copyright holder has controlled the terms on which the work enters the market, i.e., the purpose of the distribution right, "the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation." *Pearson*, 656 F. Supp. 2d at 410 (citation and quotation marks omitted). Accordingly, the *Bobbs-Merrill* Court held the copyright owner did not have the right to control the terms of subsequent sales. 210 U.S. at 351.

The common law policy against restraints on trade and alienation is not limited by the place of manufacture. *Pearson*, 656 F. Supp. 2d at 413. Under the 1909 (codifying the *Bobbs-Merrill*

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[54] Congress also demonstrated it could differentiate based on the place a copy was "acquired," *see* § 602(a) (applying to copies "acquired outside the United States"), further supporting the conclusion that its omission of a phrase indicating the place of manufacture was not accidental.

holding) and 1947 Copyright Acts, the first sale doctrine applied to "any copy of a copyrighted work the *possession of which has been lawfully obtained*." Pub. L. No. 60-349, 35 Stat. 1075, 1084 (1909); Pub. L. No. 80-281, 61 Stat. 652, 660 (1947) (emphasis added). The Supreme Court noted "[t]here is no reason to assume Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope." *Quality King*, 523 U.S. at 152. The changed wording in the current version of § 109(a) -- "lawfully made under this title" -- from the prior versions -- "possession of which has been lawfully obtained" -- should likewise not be presumed to do so.

Economic justifications also support applicability of the first sale doctrine to foreign made copies. Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market. An owner first would have to determine the origin of the copy -- either domestic or foreign -- before she could sell it. If it were foreign made and the first sale doctrine does not apply to such copies, she would need to receive permission from the copyright holder.[55] *See* 17 U.S.C. § 106(3). Such a

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[55] Wiley argues its interpretation of § 109(a) would not lead to perpetual control over imported works because once the U.S. copyright owner imports its copies into the United States, they are lawfully within the United States and, as § 602 applies only to "importations without the authority of the copyright owner," any further sales would not be covered. Appellee's Br. at 24-25.

result would provide greater copyright protection to copies manufactured abroad than those manufactured domestically: Once a domestic copy has been sold, no matter where the sale occurred, the copyright holder's right to control its distribution is exhausted. I do not believe Congress intended to provide an incentive for U.S. copyright holders to manufacture copies of their work abroad.

The Ninth Circuit has attempted to circumvent this perpetual right when a copy is made abroad by holding the first sale doctrine can apply to copies made outside the United States but only after there has been one authorized sale here. *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). This precedent carried over into the reasoning in *Omega S.A.* 541 F.3d at 986-90. The Supreme Court, however, provided no guidance as to its views on the Ninth Circuit's imperfect solution, which is judicially created. This interpretation finds no support in the statutory text and is in direct conflict with the portion of the Supreme Court's *Quality King* decision which noted that where a sale occurs is

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This argument is not persuasive because the copyright holder seeking to prevent its copies from entering the United States retains exclusive control no matter how many foreign sales may have been made. Wiley's rule allows it to protect the disparity in its pricing structure despite free market forces. Indeed such a rule, by differentiating based on place of manufacture, would encourage the manufacturing of copies abroad to the detriment of American workers.

irrelevant for first sale purposes. *See* 523 U.S. at 145.

Supporters of limiting the application of the first sale doctrine to domestically manufactured copies rely on the argument that applying the doctrine to foreign made copies would render § 602(a) "virtually meaningless." (Appellee's Br. at 15-17.) However, § 602(a) will always apply to copies of a work that have not been sold or are piratical copies. It also applies to copies of a work not lawfully manufactured under title 17 but lawfully manufactured under some other source of law, as in the *Quality King* dicta, and to copies not in the possession of the "owner," e.g., a bailee, licensee, consignee or one whose possession of the copy was unlawful. *Quality King*, 523 U.S. at 147-48. Further, § 602(a) itself states unauthorized importation is an infringement of the exclusive distribution right of § 106, which as noted above is subject to the first sale doctrine of § 109(a).

Nothing in § 109(a) or the history, purposes, and policies of the first sale doctrine limits it to copies of a work manufactured in the .United States. That leaves the question whether the *Quality King* dicta "sp[eaks] directly to whether the first sale doctrine applies to copies manufactured abroad." *Pearson*, 656 F. Supp. 2d at 414. That dicta, however, makes no reference to the place of manufacture, *Quality King*, 523 U.S. at 148, and therefore does not speak directly to the issue of applicability of the doctrine to

foreign made copies.[56] Further, the dicta states the first sale doctrine would not provide a defense *to the publisher* who sold copies in the American market. *Quality King*, 523 U.S. at 148. Of course, because in that situation there has been no first sale unlike here, where the issue is whether the first sale doctrine is available as a defense to the subsequent purchaser.

In *Quality King*, Justice Ginsburg, in a concurrence joined by no other justice, noted: "I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad." *Quality King*, 523 U.S. at 154 (Ginsburg, J., concurring). That issue, however, was squarely before the Supreme Court in *Omega* and four justices presumably did not agree the *Quality King* dicta directly addresses it or constitutes the Court's current view. In light of the above analysis, I agree with the majority that it is a "close call," supra p. 19, and I would conclude the first sale doctrine applies to foreign manufactured copies.

For the foregoing reasons, I respectfully dissent.

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[56] The Amici argue, based on the discussion at oral argument of *Quality King*, the Court was actually discussing the situation where the copy is made -- presumably abroad, but could be domestically -- by someone other than the U.S. copyright holder, for example, a British copyright holder who manufactures under British law. Entm't Merch. Assoc. Amici Br. at 10- 12.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 08-7834

JOHN WILEY & SONS, INC.,

Plaintiff

v.

SUPAP KIRTSAENG, d/b/a
BLUECHRISTINE99, et al.,

Defendants

OPINION

Plaintiff publisher, John Wiley & Sons, Inc. ("Wiley") brings this action claiming that Defendant Supap Kirtsaeng ("Kirtsaeng"),[1] and other unknown associates, violated the Copyright Act's (the "Act") prohibition of the unauthorized importation of goods subject to U.S. copyright and thereby infringed Wiley's exclusive right to distribute copies of its copyrighted works under section 106(3) of the Act. Specifically, Wiley

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[1] Kirtsaeng, in his resale of Wiley books on commercial websites, does business under the following names: BlueChristine99, BillyText, PinkyText, Sudchliew, Tubooksl23 and PigVickey. (*See* Am. Compl. ¶ 16.)

alleges that Kirtsaeng and his associates purchased abroad foreign editions of Wiley textbooks and imported and resold them in the United States -- without Wiley's authorization -- over the Internet through websites including, but not limited to, eBay. Kirtsaeng responds that the "first sale" doctrine, codified as section 109(a) of the Act, provides a complete defense to Wiley's claims. He additionally raises the defenses of waiver and lack of standing.

As explained below, the court holds that the Act does not provide Kirtsaeng with any of these three defenses to this action.

I. Background

The parties disagree as to the facts of this case; therefore, the court will attempt to fairly set forth the disputed and undisputed evidence.

Wiley publishes textbooks world-wide. In order to print and publish these textbooks, Wiley obtains, from the authors, assignment of the U.S. and foreign copyrights of reproduction and distribution. It is Wiley's practice, generally, to register these copyrights.

The design, quality, and prices of Wiley-copyrighted textbooks, however, allegedly vary depending on where they are published. According to Wiley, its U.S. editions, authorized for sale in the U.S., are "of the highest quality . . . generally printed with strong, hard-cover bindings with glossy protective coatings," and are often

supplemented with CD-ROMs, access to educational websites, and study guides. (Am. Compl. ¶ 11.) The foreign editions, Wiley further asserts, though meant to be "generally comparable in quality and appearance" to the U.S. editions, (Def.'s Ex. 1 at ¶ 2(c)) nonetheless "materially differ from the United States editions . . . [with] thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, lower quality photographs and graphics, and generally lower prices . . . and often lack academic supplements . . . ." (Am. Compl. ¶ 12.) The foreign editions indicate on their front covers that they are a "Wiley International Student Edition[s]," "Wiley International Student Version[s]," or "Wiley Asia Student Edition(s)." (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) On their back covers, the foreign editions state that they are either "authorized for sale in Europe, Asia, Africa and the Middle East only" or "authorized for sale in Asia only" and specifically affirm that

> This book . . . may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

(Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) In addition, while the foreign editions also specify that they were "Printed in Asia," these editions display notices of foreign copyright.[2] (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) Wiley avers that it "makes more profit from the sale of a United States Edition than from the sale of a Foreign Edition." ([Revised] Joint Pre-trial Order, Sched. C-1, ¶ 16.)

Wiley entered into a "Reprint Agreement" whereby it affirmatively assigned to one of its subsidiaries -- John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia") -- its rights to the reprinting and publishing of foreign editions of its books "for sale as English language reprint editions *in the following territories*: India, Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, [and] Vietnam [the "territories]." (*See* Def.'s Ex. 1 at ¶ 1 (emphasis added); *see also* [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 6.)[3] Thus, Wiley assigned its rights

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[2] The parties agree that the foreign editions had "notices stating that the books are copyrighted in the U.S." ([Revised] Joint Pre-trial Order, Sched. C, ¶ D.) The books, however, do not appear to bear U.S. copyright notices sufficient to satisfy the requirements under section 401(b) of the Act. 17 U.S.C. § 401(b). However, notice of copyright under the Act is not a prerequisite to an infringement action. If such a section 401(b) notice appears on a U.S.-copyrighted book, the Act provides instead that an alleged infringer cannot raise the defense that he "innocently" infringed the copyright. *See id.* § 401(d). *See also Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 123 (2d Cir. 2001).

[3] Subsequently, on March 30, 2007, Wiley assigned Wiley Asia's reprint rights to Wiley India Pvt. Ltd. ("Wiley India").

to publish and sell its books in the territories to Wiley Asia and later to Wiley India, but, given the geographic limitations on the assignment, retained its U.S. copyright protection and its rights to publish and sell its books in the United States.[4]

Kirtsaeng moved from Thailand to the U.S. in 1997 and obtained an undergraduate degree in mathematics. ([Revised.] Joint Pre-trial Order, Sched. C, ¶ A.) According to Kirtsaeng, he thereafter moved to California to pursue a Ph.D. (Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 2) which he ostensibly earned in 2009. (*See*, Decl. of Supap Kirtsaeng in Opp. to Mot. for Contempt ¶¶ 6-7.) During his stay in the U.S., Kirtsaeng received shipments[5] of Wiley foreign edition textbooks, printed abroad by Wiley Asia, "*via* UPS express and ocean freight" from "friends and family." ([Revised] Joint Pre-trial Order, Sched. C, ¶¶ B, C; *id.*, Sched. C-2, ¶ 3.) He then sold these textbooks on commercial websites, reimbursed his family and friends from

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(Def.'s Ex. 3. ¶ 1(a).) The assignment to Wiley India does not affect the outcome in this case.

[4] Kirtsaeng emphasizes that the "Reprint Agreement" with Wiley Asia "does not prohibit shipments from overseas into the United States." ([Revised] Joint Pre-trial Order, Sched. C-2, 1 8.) However, the court finds this omission immaterial to its interpretation of the assignment contract.

[5] The parties agree that Kirtsaeng "did not *personally* bring books from overseas into this country." ((Revised] Joint Pre-trial Order, Sched. C, ¶ C.) (emphasis added).

the sales, and retained the profits from these sales to, among other things, pay for his education. (*Id.*, Sched. C, ¶ C; *id.*, Sched. C-2, ¶ 1; *see also* Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 6.) Kirtsaeng insists that, prior to his sales of textbooks, he consulted friends from Thailand as well as advice from a "Google Answers Researcher" to affirm the legality of the sales. (*See* Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶¶ 6-7; Def.'s Ex. 4; [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 3.) Wiley alleges that Kirtsaeng sold numerous copies of the foreign editions of, at minimum, eight of its copyrighted works, amounting to "revenue of over $37,000" from these sales.[6] ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 2-3, 6.)

In September 2008, Wiley commenced this suit against Kirtsaeng claiming copyright infringement, under 17 U.S.C. § 501,[7] as well as trademark infringement and New York state

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[6] Wiley further claims that Kirtsaeng "had additional revenue from the sale of copies [of] Wiley's copyrighted works which he did not disclose in discovery" and "has provided incomplete evidence of expenses of his infringing sales." ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 7-8.)

[7] In accordance with section 501, the owner of a copyright "is entitled . . . to institute an action" against a copyright "infringer," that is, "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122..., or who imports copies . . . into the United States in violation of section 602." 17 U.S.C. 501(a)-(b).

claims for unfair competition.[8] (Am. Compl. ¶¶ 17-32.) Wiley requests a preliminary and permanent injunction, under 17 U.S.C. § 502(a) (2006),[9] and statutory damages, under 17 U.S.C. § 504(c).[10] The parties have concluded discovery, and this action is schedule for jury trial.

Kirtsaeng claims that he may raise the "first sale" doctrine pursuant to 17 U.S.C. § 109(a), waiver, and standing as defenses to Wiley's copyright infringement action. Kirtsaeng's assertion of these defenses raises legal issues the court must resolve.

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[8] Plaintiff has since abandoned its trademark and unfair competition claims. (*See* [Revised] Joint Pre-trial Order.)

[9] Pursuant to section 502(a), a copyright owner may ask the court for "temporary and final injunctions on such terms as [the court] may deem reasonable to prevent or restrain infringement of a copyright." *Id.* § 502(a).

[10] Section 504(c) provides for statutory damages, at the copyright owner's election:

> to recover, instead of actual damages and profits, an award . . . for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. . . .

Id. § 504(c)(1). Higher damages may awarded if the copyright owner can demonstrate that the defendant "willfully" infringed the copyright. *See id.* § 504(c)(2).

II. The "First Sale" Defense

Both parties have briefed the applicability of section 109(a) to this case, and, thus, the issue is ripe for judicial decision. Before addressing the issue, however, the court will discuss the relevant provisions of the Act.

A. Section 109(a) of the Act

In *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908), the Supreme Court introduced the "first sale" doctrine, now codified under 17 U.S.C. § 109(a), as a defense to a claim of copyright infringement.[11] *Bobbs-Merrill*, 210 U.S. at 350 ("The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it. . . . In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.").

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[11] Congress initially established the first sale doctrine as statutory law in 1909 as part of the Act. *See* Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909). In 1947, the Act was codified, *see* Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947), and in 1976 the Act was overhauled and the first sale statutory language materially changed to its current form. *See* Copyright Act of 1976, § 109, 90 Stat. 2541, 2548-49 (1976).

Codifying this "first sale" defense, section 109(a) states, in pertinent part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy...lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy . . . .

Section 106 of the Act, referenced above in section 109, enumerates the "exclusive rights" in copyrighted works possessed by the copyright owner; subsection (3) provides the owner with the "exclusive" right "to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership . . ." *Id.* § 106(3). Violation of any of the section 106 "exclusive" rights constitutes copyright infringement, and subjects the infringer to civil liability under the Act. *See id.* § 501(a)-(b). However, pursuant to section 109, "*notwithstanding*" the copyright owner's "exclusive" right to distribute its works, an *owner of a "particular copy"* of the work may *dispose of that copy as he pleases* without subjecting himself to liability. *Id.* § 109(a) (emphasis added).

B. Section 602(a) of the Act

Section 602 of the Act complicates matters. According to section 602(a):

> (1). . . Importation into the United States, without the authority of the owner of

> copyright under this title, of copies...of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.[12]

17 U.S.C.A. § 602(a)(1) (2005 & Supp. 2009).[13]

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[12] Section 602(a)(3) provides three exceptions:

> (A) importation or exportation of copies. . . under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies , for use in schools . . . ;
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> (B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy . . . of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies . . . forming part of such person's personal baggage; or
>
> (C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain . . . .

Id. § 602(a)(3). Defendant has not argued that any of these exceptions apply to limit section 602 application.

[13] Section 602(a)(2) also prohibits such imports, without the owner's authorization, of copyrighted articles "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable. . . ." Notably, as long as a copyrighted work is "lawfully made," Customs has no authority to prevent its importation, *id.* § 602(b), but the infringer is

C. Quality King

The Supreme Court has explained the interaction of sections 109(a) and 602(a), holding that the importation of goods subject to U.S. copyright cannot constitute copyright infringement when the goods are *manufactured in the U.S.*, sold by the U.S. copyright owner to an entity abroad, and subsequently re-imported into the U.S. *See Quality King Distribs. v. L'Anza Research Intl*, 523 U.S. 135, 145 (1998). According to the Supreme Court, once the U.S. copyright owner sold its goods, whether in the U.S. or otherwise, the first sale doctrine protected the subsequent owner of the goods from liability under the Act.[14]

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nevertheless subject to a civil lawsuit for unauthorized importation.

[14] The *Quality King* plaintiff sold its product with U.S.-manufactured copyrighted labels in the United States and abroad, applying different advertising techniques and charging 35 to 40 percent lower prices on sales abroad. *Quality King*, 523 U.S. at 138-39. As to its domestic sales, Plaintiff L'anza sold "exclusively to domestic distributors who have agreed to resell within limited geographic areas and then only to authorized retailers such as barber shops, beauty salons, and professional hair colleges." *Id.* at 138. The goods sold in foreign markets "were manufactured by L'anza and first sold by L'anza to a foreign purchaser." *Id.* at 139. Thereafter, the foreign-sold goods "found their way back into the United States without the permission of L'anza and were sold in California by unauthorized retailers who had purchased them at discounted prices from [Defendant] Quality King Distributors, Inc." *Id.*

Quality King's reasoning hinges on the Supreme Court's reading of the relevant sections of the Act. The Court noted that section 602 "does not categorically prohibit the unauthorized importation of copyrighted materials." Id. at 144. Rather, section 602 provides that "such importation is an infringement of the exclusive right to distribute copies 'under section 106,'" the latter statutory provision stating that all exclusive rights granted are limited by the provisions 17 U.S.C. §§ 107 through 120 -- including section 109(a), which "expressly permit[s] the owner of a lawfully made copy to sell that copy 'notwithstanding the provisions of section 106(3)." *Id.* Therefore, the Court reasoned

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106," and since that limited right does not encompass resales by lawful

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For the purposes of the decision, the Court assumed that Quality King "bought all three shipments from the Malta distributor, imported them, and then resold them to retailers who were not in L'anza's authorized chain of distribution." *Id.*

> owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import them and resell them in the United States. . . .
>
> The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.

Id. at 145, 152. As a consequence, "the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court *even if the first sale occurred abroad*." *Id.*, at 145 n.14 (emphasis added).

Kirtsaeng argues that the holding in *Quality King* should be extended to also cover *foreign-manufactured* goods. He urges the court, when deciding whether a protected first sale has taken place, to focus on whether the copyright owner has received its "reward" for the sale. *See Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) ("the ultimate question embodied in the 'first sale' doctrine [is] 'whether or not there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article'" (quoting *United States v. Masonite*, 316 U.S. 265, 278 (1942))); *Sebastian Int'l. Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098-99 (3d Cir. 1988). Because Wiley

transferred its printing rights to Wiley Asia for "financial consideration" and "profited on its assignment," Kirtsaeng concludes that the first sale doctrine applies. ([Revised] Joint Pre-trial Order, Sched. F-3, 26, 27.)

D. Analysis

The precise issue confronting the court is as follows: is a U.S. importer[15] and/or subsequent distributor liable for copyright infringement, when this importer/distributor purchases foreign editions of U.S. copyrighted textbooks from a foreign company that manufactures and sells the textbooks pursuant to a geographically-specific assignment agreement, i.e., does the importation prohibition in section 602(a)(1) apply, despite a "first sale" abroad where the goods were lawfully made abroad rather than in the United States? For the following reasons, this court answers this question in the affirmative.

This is, however, a relatively close jurisprudential question. See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B][6] (Matthew Bender, Rev. Ed. 2009). Indeed, courts disagree as to the particular application of section 109(a) to fact patterns such as in this case. *Compare Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 U.S. Dist. LEXIS 39222, at *8-12 (S.D.N.Y. May 13, 2008)

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[15] The court assumes, in its instant analysis, that Kirtsaeng imported the books covered by U.S. copyright.

(holding that section 109(a) does not apply to foreign-manufactured goods) *and Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 988-90 (9th Cir. 2008) (same)[16] *with Pearson Educ., Inc. v. Liu*, No. 1:08-cv-06152-RJH, 2009 U.S. Dist. LEXIS 88569, at *12-27 (S.D.N.Y. Sept. 25, 2009) (reading section 109(a) as equally applying to U.S.- and foreign-manufactured goods, but nonetheless refusing to allow a section 109(a) defense in light of *Quality King dicta*) *and Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. BB-0156-A, 1988 U.S. Dist. LEXIS 15735, at *9-10 (E.D. Va. Aug. 29, 1988) (allowing 109(a) defense even when goods are manufactured abroad) (discussing *Sebastian*, 847 F.2d at 1098 & n.1),

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[16] *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs,. Inc.*, 569 F. Supp. 47, 49-50 (E.D. Pa. 1983), *aff'd without opinion*, 738 F.2d 421 (3d Cir. 1984) is the seminal case that refused to allow a first sale defense under section 109(a) in the case of foreign-manufactured goods. A host of cases have followed the *Scorpio* reasoning, even post-*Quality King*. *See, e.g., Microsoft Corp. v. Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1316-17 (S.D. Fla. 2008); *Microsoft Corp. v. Cietdirect.com LLC*, No. 08-60668-CTV-UNGARO, 2008 U.S. Dist. LEXIS 61956, at *13-15 (S.D. Fla. Aug. 5, 2008); *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245, 1253-54 (S.D. Fla. 2006); *U2 Home Ent'mt, Inc. v. Lai Ying Music & Video Trading, Inc.*, No. 04 Civ. 1233, 2005 U.S. Dist. LEXIS 9853, at *15-16 (S.D.N.Y. May 25, 2005), *rev'd in part on other grounds*, 245 F. App'x 28 (2d Cir. 2007); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, No. SACV 02-1188 DOC (ANx), 2003 U.S. Dist. LEXIS 26302, at *11-14 (C.D. Cal. Mar. 13, 2003); *Parfums Givenchy*, 38 F.3d at 481-82; *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Lingo Corp. v. Topix, Inc.*, No. 01 Civ. 2853 (RMB), 2003 U.S. Dist. LEXIS 1437, at *12- 13 (S.D.N.Y. Jan. 31, 2003).

rev'd on other grounds, 883 F.2d 275 (4th Cir. 1989).[17]

As explained below, the court has reservations about the wisdom of a bright-line rule in the application of section 109(a) to this situation. *Cf. Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-578 (1994) (refusing to institute a bright-line in place of a case-by-case analysis as to section 107 of the Act). Nevertheless, following the Supreme Court's *dicta* in *Quality King*, the court reads section 109(a)'s language to render the "first sale" defense unavailable to the goods manufactured in a foreign country at issue here.

(1) Statutory Language

"As with any question of statutory interpretation, [the court's] analysis begins with the plain language of the statute." *Jimenez v. Quarterman*, __ U.S. __, __, 129 S. Ct. 681, 685 (2009) (citation and internal quotation marks omitted). Section 109(a) applies to copies "lawfully made under this title." The dictionary definition of "made" is relatively straight-forward -- "[p]roduced or manufactured by constructing, shaping, or forming." *Webster's II New Riverside University Dictionary* 713 (1988). The court notes the dictionary definitions of "under": "[s]ubject to" or "[w]ith the authorization of." *Id.* 1256. *Accord Ardestani v. INS*, 502 U.S. 129, 134-35 (1991). It

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[17] *See also, e.g., Okocha v. Amazon.com*, 153 F. App'x 849, 849-50 (3d Cir. 2005) (allowing section 109(a) defense to Amazon.com's sale of books possibly manufactured abroad).

follows, then, that the imported goods must be manufactured "subject to" or "with the authorization of" the Act in order for section 109(a) to apply.

Using this plain language definition, however, there is still some ambiguity as to relationship between "made" and "under this title." The phrase "lawfully made under this title" can still be read either of two ways: (1) the goods must be made in a way that is consistent with the authorization called for in the Act, in which case the goods may be manufactured either domestically or internationally, or (2) the goods must be made within the control of U.S. law, that is, domestically only. *See Liu*, 2009 U.S. Dist. LEXIS 88569, at *13-14. Hence, the plain language, in the relevant sections of the Act, is at least ambiguous, and, consequently, the court turns to other methods of interpretation.

(2) Statutory Context[18]

The structure of the Act also does not provide a determinative conclusion. Generally, "[a] term appearing in several places in a statutory text is [] read the same way each time it appears." *Ratzlaf v. United States*, 510 U.S, 135, 143 (1994). Many provisions use the terms "lawfully made under

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[18] "It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989).

this title"[19] as well as "under this title."[20] Whereas, perhaps, the latter term does not

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[19] *See also, e.g.*, 17 U.S.C. § 109(c) ("Notwithstanding the provisions of section 106(5), the owner of a particular copy *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright Owner, to display that copy publicly . . . ."), 109(e) ("Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game ..."), 110 ("the following are not infringements of copyright . . . performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction, unless . . . the performance, or the display of individual images, is given by means of a copy that was not *lawfully made under this title*, and that the person responsible for the performance knew or had reason to believe was not lawfully made."), 1001(7), 1006(a) (an "interested copyright party" is entitled to royalties from those importing and selling certain recordings which contain those of its works "*lawfully made under this title.*") (emphasis added). *Compare id.*, § 112(g) ("The transmission program embodied in a copy or phonorecord *made under this section* is not subject to protection as a derivative work under this title") (emphasis added).

[20] *See, e.g.*, 17 U.S.C. §§ 104(a) ("The works specified by sections 102 and 103, while unpublished, are subject to protection *under this title* without regard to the nationality or domicile of the author"), 106 ("Subject to sections 107 through 122, the owner of copyright *under this title* has the exclusive rights to do and to authorize any of the following . . ."), 112(g), 113(b) ("This title does not afford, to the owner of copyright . . . any greater or lesser rights . . . *under the law*, whether title 17 or the common law or statutes of a State . . . as held applicable and construed by a court in an action brought *under this title*."), 114(a)(4)(B) ("Nothing in this section annuls or limits in any

necessarily refer to the place of manufacture, see Liu, 2009 U.S. Dist. LEXIS 88569, at *15-16, it is not conclusively apparent that provisions containing the former phrase similarly do not.

On the one hand, when Congress wishes to limit protection under the Act based on place of manufacture, it does so clearly. *See* 17 U.S.C. §§ 401(a), 601; *Sebastian*, 847 F.2d at 1098 n.1. However, in section 104(b) of the Act, Congress used different terminology to indicate protection pursuant to the Act for certain U.S. copyrighted works, regardless of place of manufacture: "[t]he

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way . . . remedies available *under this title*"), 201(e) ("When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect *under this title*, except as provided *under title 11*"), 203(b) ("Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author"), 301(c) ("no sound recording fixed before February 15, 1972, shall be subject to copyright *under this title* before, on, or after February 15, 2067."), 304(c)(3)(E) ("Termination of a grant *under this subsection* affects only those rights covered by the grant that arise *under this title*, and in no way affects rights arising under any other Federal, State, or foreign laws."), 502(a) ("Any court having jurisdiction of a civil action arising *under this title* may . . . grant temporary and final injunctions"), 601(d) ("Importation or public distribution of copies in violation of this section does not invalidate protection for a work *under this title*."), 702 ("All regulations established by the Register *under this title* are subject to the approval of the Librarian of Congress.") (emphasis added).

works specified by sections 102 and 103 [i.e., works covered by the Act] are *subject to protection under this title* if . . . (2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party . . ." 17 U.S.C. § 104(b) (emphasis added). That is, Congress knows how to and has specifically phrased the extension of protection under the Act -- for manufacture consistent with the Act's requirements in order to merit the Act's protection -- as opposed to lawful manufacture under the Act. At the same time, a geographic-specific interpretation of section 109 comports with the general rule that the Act does not have extraterritorial operation. *Update Art, Inc. v. Modiin Publ'g Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988). *Compare Quality King*, 523 U.S. at 145 n.14 (indicating that, as long as the goods are lawfully made under the Act, first sales abroad do not involve extraterritorial application of the Act).[21] Thus the statutory context does not resolve the issue.

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[21] Courts should be "hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law." *Kawaauhau v. Geiger*, 523 U.S. 57, 62 (1998) (citation and internal quotation marks omitted). While the court does not necessarily agree that with other courts that section 109(a) could, in combination with the Supreme Court's *Quality King* holding, completely subsume section 602(a), *see BMG Music*, 952 F.2d at 319-20, it is troubled by limiting section 602(a)(1)'s application to bailees and similar possessors of copyrighted goods given the section's broad language.

(3) Legislative History

The legislative history surrounding sections 109 and 602 is also inconclusive. For example, in 1976, Congress, except with regard to copies irrelevant to this dispute, repealed the section of the Act preconditioning U.S. copyright protection on manufacture in the U.S. *See* H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5780-85. Congress then banned imports of certain copyrighted materials. Some suggested that the ban only extend to "piratical copies." The 1961 Register's Report noted

> When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries. It has been suggested that the import ban on piratical copies should be extended to bar the importation of the foreign edition in contravention of such an agreement.
>
> Some countries, including the United Kingdom, bar importation in this situation, apparently on the ground that, even though the copies were authorized, their sale in violation of a territorial limitation would be an infringement of the copyright. In the United States, there is no clear decision as

> to whether the sale of authorized copies beyond a territorial limitation is an infringement. But the import ban on "piratical copies" does not seem to apply to authorized copies.
>
> We assume, without considering the antitrust questions involved, that agreements to divide international markets for copyrighted works are valid and [enforceable] contracts as between the parties. But we do not believe that the prohibition against imports of piratical copies should be extended to authorized copies covered by an agreement of this sort. To do so would impose the territorial restriction in a private contract upon third persons with no knowledge of the agreement. And even as between the parties, Customs does not seem to be an appropriate agency for the enforcement of private contracts.

Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 125-126 (H. R. Judiciary Comm. Print 1961). Thus, the Register's Report recommended *against* extending the Act to protect the market-allocation contracts. However, Congress, in crafting subsections (a) and (b) of section 602, did *not* limit the Act's prohibition merely

to "piratical copies."[22] Arguably, by implication, Congress intended to statutorily enforce geographically-limited assignment and license agreements.

But the 1976 House Report's explanation of section 109(a) did not mention the place of manufacture of U.S.-copyrighted materials and, instead, generally stated that "where the copyright owner has transferred ownership of a particular copy . . . of a work, the person to whom the copy...is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. Rep. No. 94-1476 at 79, *reprinted in* 1976 U.S.C.C.A.N. at 5693. Further, according to the House Report, "[t]his does not mean that conditions on future

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[22] As the Supreme Court in *Quality King* noted, when discussing the drafting of the 1976 Act, some Congressmen in fact were concerned about foreign manufacturers breaking contracts and selling foreign-made U.S. copyrighted materials in the United States. *See* Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright. Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (statement of Mrs. Pilpel) ("For example, if someone were to import a copy of the British edition of an American book and the author had transferred exclusive United States and Canadian rights to an American publisher, would that British edition be in violation so that this would constitute an infringement under this section?"); *see also id.*, at 209 (statement of Mr. Mange) (the situation is "a troublesome problem that confronts U.S. book publishers frequently"; "Now it's alright to say, 'Let the American publisher protect his right by an action for breach of contract,' but that isn't so easy. In the first place it is almost always impractical financially. And, second of all, it is extremely difficult and sometimes impossible to find out who is the person that should be sued.").

disposition of copies. . . imposed by a contract between their buyer and seller [] would be unenforceable between the parties as a breach of contract, but it does mean that they could not be enforced by an action for infringement of copyright." *Id.* Thus, it appears that Congress, in some circumstances, would leave the enforcement of distribution agreements to the parties involved.

Additionally, it is unclear whether Congress intended the language provided in section 109(a) to limit, rather than simply to codify, *Bobbs-Merill's* elucidation of the "first sale" principle. *Quality King*, 523 U.S. at 152 ("There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope."). Therefore, reading section 109(a) to limit the reach of the right of first sale could be an artificial exercise.

(4) Public Policy

Likewise, the policy behind the Act supports either interpretation of section 109(a). Persuasive policy arguments exist for the expansive reach of section 109(a). For example, in common law and in the Uniform Commercial Code, the validity of sales of goods does not depend upon place of manufacture. *See* 2 *Nimmer on Copyrights* § 8.12[B] [6][a] & n. 110 (noting *Cosmair. Inc. v. Dynamite Enters.*, No. 85-0651-Civ-Hoeveler, 1985 U.S. Dist. LEXIS 20922, at *9-10 (S.D. Fla. Apr. 9, 1985)). Similarly, the policy behind the first sale itself, reflecting the hesitancy to allow a seller to "impose . . . a limitation at which the book shall be

sold at retail by future purchasers, with whom there is no privity of contract," *Bobbs-Merrill*, 210 U.S. at 350, is equally as applicable to goods manufactured in the U.S. as to foreign-manufactured goods. *See also Liu* 2009 U.S. Dist. LEXIS 88569, at *17.

However, other considerations point the court in the opposite direction. The Act serves to protect a U.S. copyright holder from infringing imports and sales of products subject to its U.S. copyright, insofar as these imports and sales do not occur with its authorization or by operation of law. In contrast to its "first sales" in the United States, *Bobbs-Merrill*, 210 U.S. at 350 ("one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it"), a U.S. copyright holder is instead one step removed from the first sale abroad. Although a U.S. copyright holder does have a cause of action against a licensee foreign manufacturer, should said manufacturer choose to import the manufactured goods or sell to an unauthorized distributor, the same cannot be said for those to whom the manufacturer sells its goods. No privity of contract exists between the manufacturer and the subsequent buyer of the goods. In such a case, a foreign distributor can act, for its own advantage, as an arbitrageur and effectively bypass the contractual agreement by selling the goods in the U.S. market. Given the 1976 *increased* protection afforded U.S. copyright holders who decide to print abroad, it would not seem consistent with Congressional intent to

retrench U.S. copyright holder's rights in this manner.

Furthermore, the Act should not be read to limit access to copyrighted materials.[23] If Kirtsaeng's position were adopted, U.S. copyright holders would have less incentive to license the printing of lower-priced editions in foreign countries as they would, in effect, lose U.S. copyright protection for, and profits on, their higher-priced U.S. works. Within the context of U.S. cooperation by way of copyright treaties with other countries, including Thailand,[24] and the potential to disrupt the availability of U.S. copyrighted educational and other literary materials in foreign nations, the court is

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[23] Second- or third-degree geographic price discrimination can impose an "export subsidy" on U.S. consumers and encourage rent-seeking behavior and the use of government resources to protect against arbitrage. *See* Michael J. Muerer, *Copyright Law and Price Discrimination*, 23 Cardozo L. Rev. 55, 143-44 (2001). Yet in the case of goods arguably of high social utility, the overall social benefits of increasing access to such goods abroad by selling these goods at lower prices in foreign markets may outweigh the costs. *Cf. id.* at 144 (discussing prescription drugs); R. Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, 103 Colum. L. Rev. 995, 1027 (2003) (discussing "informational" goods).

[24] "The United States and Thailand, as members of the World Trade Organization, are members of the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement. *See* World Trade Organization, Understanding the WTO: the Organization, Members and Observers http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Oct. 13, 2009).

uncomfortable with a result that limits the protection of the U.S. copyright holder. The intent of copyright protection seems to be, fundamentally, to encourage, rather than discourage, the broad publication of U.S.-copyrighted works.

(5) Quality King *Dicta*

Ultimately, the court is persuaded by the dicta in *Quality King*, which would limit section 109(a)'s coverage to U.S.-manufactured goods. The Court stated that "§ 602(a) [would] appl[y] to a category of copies that are neither piratical nor 'lawfully made under this title." *Quality King*, 523 U.S. at 147. This particular category "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.*

Based upon its analysis of the language of the 1961 Register's Report, *see supra*, as well as a subsequent 1964 panel discussion on market allocation agreements, the Court reasoned

> Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights -- enforceable under the Act -- to the publisher of the United States edition and the exclusive British distribution rights to

> the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

Id. at 148 (footnote omitted). Thus, the Court indicated that only books manufactured and published in the United States are "lawfully made" under U.S. law and subject to the "first sale" defense provided in section 109.

Although the Second Circuit has not analyzed the exact circumstances as those currently before the court, a majority of courts addressing this issue have reached conclusions consistent with the *Quality King dicta* and contrary to Kirtsaeng's position. *See supra* note 16; *Liu*, 2009 U.S. Dist. LEXIS 88569, at *23-27 (following *Quality King* despite disagreement with its interpretation of sections 109(a) and 602(a)); 2 *Nimmer on Copyright* § 8.12[B][6][c]. *But see supra* note 17; *Red Baron*, 1988 U.S. Dist. LEXIS 15735, at *9-10; *Sebastian*, 847 F.2d at. 1098 (expressing disapproval of *Scorpio* analysis); *Cosmair. Inc.*, 1985 U.S. Dist. *LEXIS* 20922, at *9-10 (same).

Quality King thus determines the appropriate outcome in this case. Accordingly, the court

concludes that the Supreme Court's unambiguous language, though *dicta*, is sufficient to resolve the uncertainties in interpreting the Act. Although this is perhaps an imperfect solution, given the valid concerns raised in both readings of sections 109 and 602, the court nonetheless will not extend section 109(a) to cover foreign-manufactured goods.[25]

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[25] Despite the reasoning in *Quality King*, the court is concerned about the institution of a bright-line rule here, if such a rule is taken to its logical conclusion. Should "lawfully made under this title" apply only to domestically-manufactured goods, this results in the phenomenon that, once imported, the goods manufactured abroad could provide the U.S. copyright holder with never-ending section 106(3) "exclusive distribution" protection against any subsequent sale, no matter how legitimate. *See* 2 *Nimmer on Copyrights* § 8.12 [B] [6] [a]. In other words, every time the owner of the imported goods sold such goods, he or she would be subject to liability for copyright infringement, regardless of how far that sale is removed from the first sale after importation. Some courts have limited the extent of liability for illegal importation, pursuant to section 602(a), to those involved in the first U.S. sale, *see, e.g.*, *Parfums Givenchy*, 38 F.3d at 481, or merely those importing the goods. *See, e.g.*, *Enesco Corp. v. Jan Bell Mktg.*, 992 F. Supp. 1021, 1023 (N.D. Ill. 1998). The latter interpretation is more in line with the language of section 602(a). *See infra* note 24. But these cases do not explain how section 106(3) liability could be cabined, and, indeed, the court can find no statutory support for imposing such a limitation.

However, the court does not have before it the particular question as to how far liability for violations of these sections could extend, but notes that the extension of such liability is not so absurd a result so as to counsel the court to ignore the *dicta* in *Quality King*. Further, individual importers and users of copyrighted materials printed abroad have some defenses

E. Application

There is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act nor has Kirtsaeng presented any evidence on this issue. To the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States. In addition, the assignment provides Wiley Asia only the rights to print, publish, and sell the textbooks in the territories, thus giving Wiley Asia, at best, copyrights under the laws of the countries existing within the territories. Wiley itself has retained all U.S. copyrights -- as a consequence, the imported textbooks at issue could not have been manufactured "under" Title 17 of the U.S. Code. Thus, should Plaintiff establish his case, Kirtsaeng may not rely on a first sale and therefore may incur liability for violation of section 602(a)[26] and/or section 106(3).

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available to a U.S. copyright holder's action. *See, e.g.*, 17 U.S.C. § 107; *id.* 602(a)(2).

[26] The plain language of section 602(a) only prevents unauthorized "importation" of U.S. copyrighted works. 17 U.S.C. § 602(a). "Importation" is defined as "[t]he bringing of goods into a country from another country." *Black's Law Dictionary* 824 (9th ed. 2009). *Accord Webster's II New Riverside University Dictionary* 614; *Enesco Corp.*, 992 F. Supp. at 1023. A defendant can nevertheless be held vicariously liable for copyright infringement if the defendant has (1) a "right and ability to supervise" infringing conduct and (2) an "obvious and direct financial interest . . . ." *Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997) (quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d

III. Kirtsaeng's Remaining Arguments in Support of a "First Sale" Defense

Kirtsaeng also asserts that Wiley's assignment of its Asian copyrights to Wiley Asia deprives Wiley of its right to enforce its section 106(3) exclusive U.S. distribution rights. Kirtsaeng appears to make two arguments here: (1) that Wiley "waived" its rights to exclusive distribution in the U.S. when it assigned the Asian copyright in an agreement that did not prohibit importation into the U.S. and (2) that somehow Wiley's assignment to Wiley Asia constituted a "first sale" pursuant to section 109(a). The Court has already disposed of Wiley's first argument by reading the Reprint Agreement to prevent sales of foreign editions outside of the territories, thereby preserving Wiley's exclusive U.S. distribution rights. Because Kirtsaeng has produced no evidence other than Wiley's Reprint Agreement, Kirtsaeng's waiver argument has no substance. As a matter of law, therefore, Kirtsaeng's waiver argument fails on the record before the court.

Kirtsaeng's second argument also fails. The Second Circuit has, in certain circumstances, held

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304, 307 (2d Cir. 1963)); see also 3 *Nimmer on Copyright* § 12.04[A][2]. Similarly, liability for contributory infringement involves participation in actions that contribute to infringement. *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998); *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); 3 *Nimmer on Copyright* § 12.04 [A][3]. The court leaves Plaintiff to prove, at trial, Kirtsaeng's section 602(a) liability.

that a license to use a U.S. copyright can amount to a first sale. *See Bourne v. Walt Disney Co.*, 68 F.3d 621, 631-33 (2d Cir. 1995). In *Bourne*, the plaintiff granted Disney "various licenses to copyrighted compositions." *Id.* at 631. Plaintiff Bourne objected to Disney's "right to sell or publicly distribute the videocassettes that it produced." *Id.* The court ruled that the license agreement protected Disney under the first sale doctrine to "transfer the resulting videocassettes as it sees fit." *Id.* at 632. However, the *Bourne* license agreement did not contain a limit on sales and distribution, and instead granted Disney broad rights to the copyrighted materials. *Id.* at 624-25 (license agreement granted Disney "the right to record . . . such music . . . the right to ship, import and export . . . any and all such mechanical recordings throughout the world, but only in connection with [Disney's] pictures. . . .") (italics omitted). Further, because all the transactions and manufacturing of the videos at issue took place in the United States, the issue of the section 109 language never arose.[27] As such, *Bourne* does not control this case.

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[27] The relevant license agreements were executed prior to the 1976 statutory revision. The pre-1976 language provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained*." Copyright Act of 1909 § 41, 35 Stat. at 1084; Copyright Act of 1947 § 27, 61 Stat. at 660 (emphasis added). Clearly, Disney lawfully obtained the videos it created pursuant to the copyright license, so Disney satisfied the requirements. Moreover, section 101 of the Act now defines "transfer of copyright ownership" as

IV. Standing

Finally, Kirtsaeng reasons that Wiley lacks standing to bring this action, and that the true party in interest here is Wiley Asia. ([Revised] Joint Pre-trial Order, Sched. F-2, ¶ 2.) This argument is also without merit. The issue is the importation -- not the exportation -- of the books for sale in the U.S., and therefore the pertinent issue in this action is whether the U.S. copyright was infringed upon. Wiley, who, despite its assignment of Asian copyrights to Wiley Asia, is still the owner of the U.S. copyright and has standing to sue Kirtsaeng for infringement.

V. Conclusion

In light of the court's analysis, described above, of Kirtsaeng's proposed defenses in this action, it is hereby:

- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to the "first sale" doctrine; and it is hereby

- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to waiver; and it is hereby

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including "an assignment . . . [or] exclusive license . . . ." 17 U.S.C. § 101. This language materially differs from section 109(a) which applies to "the *owner of a particular copy* . . . lawfully made under this title." *Id.* § 109(a) (emphasis added). Section 202 also notes the distinction between the transfer of copyright ownership and the transfer of a particular copy of a work subject to copyright. *See id.* § 202.

- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense claiming lack of plaintiff's standing to bring this lawsuit.

Donald C. Pogue, Judge[28]

Dated: October 19, 2009
New York, New York

[28] Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 08-7834

JOHN WILEY & SONS, INC.,

Plaintiff

v.

SUPAP KIRTSAENG, d/b/a BLUECHRISTINE99 and JOHN DOE NOS. 1-5,

Defendants

DEFENDANT'S SUBMISSION OF PROPOSED JURY INSTRUCTIONS

Defendant Supap Kirtsaeng ("**Kirtsaeng**" or "**Defendant**"), by his counsel, Sam P. Israel, P.C., respectfully submits the following proposed instructions to the Jury:

1. **Copyright Infringement—Elements—Ownership and Copying (17 U.S.C. § 501(a)-(b))**

On a copyright infringement claim, the Plaintiff has the burden of proving both of the following by a preponderance of the evidence:

1. The Plaintiff is the owner of a valid copyright; and

2. The Defendant copied original elements from the copyrighted work.

If you find that the Plaintiff has proved both of these elements and the Defendant has failed to prove a valid defense, your verdict should be for the Plaintiff. If, on the other hand, the Plaintiff has failed to prove either of these elements and/or the Defendant has established a valid defense, your verdict should be for the Defendant.

Support Feist Publications v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991) (two elements that must be proved by the Plaintiff to establish infringement are: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.").

2. Copyright Interests— Owner Has Exclusive Right To Sue For Infringement (17 U.S.C. § 510(b))

The Copyright Act provides that only the owner of the copyright has a right to institute an action for any infringement; the right is exclusive.

See 17 U.S.C. § 510(b).

3. Standing: Assignment of Ownership Conveys Exclusive Right To Sue (17 U.S.C. § 201(d)(1))

A copyright owner may transfer, sell or convey to another person all or part of the owner's property interest in the copyright; that is, the right to exclude others from copying the work. The person to whom the copyright is transferred, sold or conveyed becomes the owner of the copyright in the work.

See 17 U.S.C. § 201(d)(1).

To be valid, the transfer must be in writing. The person to whom this right is transferred is called an assignee.

See 17 U.S.C. § 204(a).

In this case, the Plaintiff does not claim to be the author of the copyrights at issue. Instead, the Plaintiff claims that it received the copyrights by virtue of assignment from the work's author so that the Plaintiff is now the assignee of the copyright.

The Defendant, on the other hand, claims that the Plaintiff, in turn, assigned its ownership to the copyrights that are the subject of this lawsuit to another party and is, therefore, no longer the owner of the copyrights clamed to have been infringed.

If you find that the Plaintiff has assigned the copyrights to the books sold by the Defendant to another entity, then you will find that only that entity---and not the Plaintiff can sue for the infringement of that copyright. If, on the other

hand, you find that the Plaintiff has not assigned the copyrights to the foreign entity then you will find that the Plaintiff has retained the right to sue for the infringement of those copyrights.

See 17 U.S.C. § 201(d)(2).

Support: Nimmer § 12.02

4. Copyright-First Sale Defense
17 U.S.C. § 109

Once a copyright owner sells an item lawfully made under the copyright law it has exhausted its exclusive statutory right to control its distribution and may not claim infringement by reason of further sales.

See 17 U.S.C. § 109.

Support: *Quality King Distributors, Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 152 (1998); *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294, 317 n. 137 (S.D.N.Y. 2000).

The question under the first sale doctrine is whether or not the copyright owner has received its reward in connection with the disposition of the books.

Support: *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963); *Sebastian International, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d. at 1093 (3rd Cir. 1988)

If you find that the books sold by the Defendant were lawfully made under the copyright law and that the owner of the copyrights for the books had already made a prior sale, you will find that the Defendant has not infringed the copyrights.

5. Exclusive Importation Right and Waiver
17 U.S.C. § 602(a)

The Copyright Act restricts the importation into the United States, without the authority of the owner of copyright, works that have been acquired outside the United States.

See 17 U.S.C. § 602(a).

Yet, it is a well-accepted legal principal that rights may be waived.

The Plaintiff has assigned U.S. copyrights to a foreign entity. The Defendant maintains that, in so doing, the Plaintiff imposed no geographical restrictions on the foreign entity's distribution of the copyrighted books. The Plaintiff contends that it did impose such restrictions and that books were not authorized for distribution in the United States.

If you find that the Plaintiff did not restrict the foreign entity from distributing the books in the United States then you will find that it waived any claim that it waived the right to restrict the distribution of the books in the United States.

6. Copyright—Statutory Damages (17 U.S.C. § 504(c))

If you find for the Plaintiff on the Plaintiff's copyright infringement claim, you must determine the Plaintiff's damages. In this case the Plaintiff has elected to pursue statutory damages against the Defendant. A statutory damage award was established by Congress for the purpose of penalizing an infringer and to deter future violations of the copyright laws.

As a punitive damage, it may not be awarded to compensate a plaintiff; its purpose is exclusively to deter and punish conduct which is malicious, wanton, or oppressive.

Support: *Smith v. Wade*, 416 U.S. 30, 49(1983).

The amount you may award as statutory damages is not less than $750.00, nor more than $30,000.00 for each work you conclude was infringed.

See 17 U.S.C. § 504(c)(1).

However, if you find the infringement was innocent, you may award as little as $200.00 for each work innocently infringed.

At the same time, if you find the infringement was willful, you may award as much as $150,000.00 for each work willfully infringed.

Accordingly, if you find for the Plaintiff, depending upon your assessment of innocence or willfulness, you may award statutory damages in the range of $200.00 in total to as much as $30,000.00 for each work you conclude was infringed.

Support: *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 355 (1998) (The Seventh Amendment provides for the right to a jury trial on statutory damage issues, including the amount of such award.).

7. Copyright—Innocent Infringement (17 U.S.C. § 504(c)(2))

An infringement is considered innocent when the Defendant has proved both of the following elements by a preponderance of the evidence:

1. The Defendant was not aware that his acts constituted infringement of the copyright; and

2. The Defendant had no reason to believe that his acts constituted an infringement of the copyright.

The statutory damage minimum for innocent infringement is $200.00.

See 17 U.S.C. § 504(c)(2).

8. Copyright—Damages—Willful Infringement (17 U.S.C. § 504(c)(2))

An infringement is considered willful when the Plaintiff has proved both of the following elements by a preponderance of the evidence:

1. The Defendant engaged in acts that infringed the copyright; and

2. The Defendant knew that those acts infringed the copyright.

Thus, "willful" means acting with knowledge that one's conduct constitutes copyright infringement.

Support: *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S.340 (1998).

The statutory damage maximum for willful infringement is $150,000.

See 17 U.S.C. § 504(c)(2).

Dated: New York, New York

October 6, 2009

Respectfully submitted:
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IN THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 09-4896

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the Daniel Partick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 13th day of October, two thousand eleven,

JOHN WILEY & SONS, INC.,

Plaintiff - Appellee

v.

SUPAP KIRTSAENG, doing business as BLUECHRISTINE99,

Defendant - Appellant

Appellant Supap Kirtsaeng filed a petition for panel rehearing, or, in the alternative, for rehearing *en banc*. The panel that determined the appeal has considered the request for panel rehearing, and the active members of the Court have considered the request for rehearing *en banc*.

IT IS HEREBY ORDERED that the petition is denied.

For the Court:
Catherine O'Hagan Wolfe, Clerk

§ 109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on—

(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or

(2) the date of the receipt of actual notice served under section 104A(d)(2)(B), whichever occurs first.

(b) (1) (A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any

STATUTORY APPENDIX

17 U.S.C. § 106, 109, and 602 provide as follows:

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

tape, disk, or other medium embodying such program), and in the case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

(B) This subsection does not apply to—

(i) a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or

(ii) a computer program embodied in or used in conjunction with a limited

purpose computer that is designed for playing video games and may be designed for other purposes.

(C) Nothing in this subsection affects any provision of chapter 9 of this title.

(2) (A) Nothing in this subsection shall apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(B) Not later than three years after the date of the enactment of the Computer Software Rental Amendments Act of 1990, and at such times thereafter as the Register of Copyrights considers appropriate, the Register of Copyrights, after consultation with representatives of copyright owners and librarians, shall submit to the Congress a report stating whether this paragraph has achieved its intended purpose of maintaining the integrity of the copyright system while providing nonprofit libraries the capability to fulfill their function. Such report shall advise the Congress as to any information or recommendations that the Register of Copyrights considers necessary to carry out the purposes of this subsection.

(3) Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, "antitrust laws" has the meaning given that term in the first section of the Clayton Act and includes section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition.

(4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under section 501 of this title and is subject to the remedies set forth in sections 502, 503, 504, and 505. Such violation shall not be a criminal offense under section 506 or cause such person to be subject to the criminal penalties set forth in section 2319 of title 18.

(c) Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

(d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the

copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

(e) Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game lawfully made under this title, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment, except that this subsection shall not apply to any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship.

§ 602. Infringing importation or exportation of copies or phonorecords

(a) **Infringing importation or exportation.**—

(1) **Importation.**—Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

(2) **Importation or exportation of infringing items.**—Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under sections 501 and 506.

(3) **Exceptions.**—This subsection does not apply to—

(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in

schools, or copies of any audiovisual work imported for purposes other than archival use;

(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) **Import prohibition**.—In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a

procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.

OPPOSITION BRIEF

RECORD
AND
BRIEFS

Supreme Court, U.S.
FILED
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Nos. 11-697 and 11-708

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

GANGHUA LIU,

Petitioner,

v.

PEARSON EDUCATION, INC., ET AL.,

Respondents.

On Petitions For Writs Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Section 106(3) of the Copyright Act of 1976 provides that the "owner of copyright under this title has the exclusive righ[t]" to "distribute copies . . . of the copyrighted work to the public." 17 U.S.C. § 106(3). Section 602(a)(1), in turn, provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106." *Id.* § 602(a)(1).

These statutory limitations on distribution and importation are subject to the first-sale doctrine, an exception codified in Section 109(a) of the Copyright Act of 1976, which provides that "the owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a).

The question presented is whether copies made outside the United States are "lawfully made under this title" within the meaning of Section 109(a).

RULE 29.6 STATEMENT

The parent company of Pearson Education, Inc. is Pearson plc, which is publicly traded. There is no other publicly held corporation that owns 10 percent or more of the stock of Pearson Education, Inc.

John Wiley & Sons, Inc. has no parent company, and no other publicly held company owns 10% or more of its stock.

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BRIEF IN OPPOSITION

Respondents John Wiley & Sons, Inc. and Pearson Education, Inc. respectfully submit that the petitions for writs of certiorari should be denied.

OPINIONS BELOW

The opinion of the court of appeals in No. 11-697 (Kirtsaeng Pet. App. 1a-43a) is reported at 654 F.3d 210.[1] The order of the district court (Kirtsaeng Pet. App. 44a-77a) is unpublished but is electronically reported at 2009 WL 3364037. The order of the court of appeals denying rehearing (Kirtsaeng Pet. App. 87a-88a) is unreported.

The order of the court of appeals denying permission to appeal in No. 11-708 (Liu Pet. App. 1a-2a) is unreported. The district court's opinion (*id.* at 3a-22a) is reported at 656 F. Supp. 2d 407. The district court's order granting permission to appeal (Liu Pet. App. 23a-28a) is unreported.

JURISDICTION

The judgment of the court of appeals in No. 11-697 was entered on August 15, 2011, and a petition for rehearing was denied on October 13, 2011. The petition for a writ of certiorari was filed on December 5, 2011.

The judgment of the court of appeals in No. 11-708 was entered on November 18, 2011. The petition for a writ of certiorari was filed on December 8, 2011.

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[1] References to "Kirtsaeng Pet." and "Kirtsaeng Pet. App." are to the petition for a writ of certiorari and appendix in No. 11-697; references to "Liu Pet." and "Liu Pet. App." are to the petition for a writ of certiorari and appendix in No. 11-708.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 106 of the Copyright Act of 1976, as amended, 17 U.S.C. § 106, provides in relevant part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> * * *
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . . .

Section 109(a) of the Copyright Act of 1976, as amended, 17 U.S.C. § 109(a), provides in relevant part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

Section 602(a)(1) of the Copyright Act of 1976, as amended, 17 U.S.C. § 602(a)(1), provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive

right to distribute copies or phonorecords under section 106, actionable under section 501.

STATEMENT

Respondents publish academic textbooks that are protected under the copyright laws of the United States and other countries. Under the Copyright Act of 1976, Respondents have the exclusive right to distribute copies of those textbooks in the United States. Respondents also exercise their rights under the laws of other countries to publish modified versions of the textbooks for distribution exclusively in those countries or in specified geographic territories outside the United States.

Without obtaining permission from Respondents, Petitioners imported foreign-manufactured copies of Respondents' textbooks into the United States and sold them at a profit. When Respondents sued for copyright infringement, Petitioners argued that the importation and sales were permissible under the first-sale doctrine codified in Section 109(a) of the Copyright Act, which permits the owner of a copy "lawfully made under this title" to sell that copy. 17 U.S.C. § 109(a). The Second Circuit below held that Section 109(a) is inapplicable because the statutory language "refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." Kirtsaeng Pet. App. 27a-28a.

A. Statutory Background

Section 106(3) of the Copyright Act of 1976 provides that the "owner of copyright under this title has the exclusive righ[t]" to "distribute copies . . . of the copyrighted work to the public." 17 U.S.C. § 106(3). Section 602(a)(1), in turn, provides that

"[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106." *Id.* § 602(a)(1). This provision was designed to prohibit importation where, as in this case, "the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Pt. 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 150 (Comm. Print 1965).

The distribution right in Section 106(3) is subject to the first-sale doctrine now codified in Section 109(a), which provides that, "[n]otwithstanding the provisions of section 106(3), the owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a). In *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135 (1998), this Court held that the right to prohibit unauthorized importation granted by Section 602(a) is similarly limited by Section 109(a).

The Court noted in *Quality King* that, "[a]fter the first sale of a copyrighted item 'lawfully made under this title,' any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an 'owner' of that item" for purposes of Section 109(a). 523 U.S. at 145 (quoting 17 U.S.C. § 109(a)). "[S]ince [Section] 602(a) merely provides that unauthorized importation is an infringement of an exclusive right 'under section 106,'" the Court emphasized, "the literal text of [Section] 602(a)" is therefore "inapplica-

ble to both domestic and foreign owners" of copies subject to the first-sale doctrine "who decide to import them and resell them in the United States." *Ibid.*

The imported copies in *Quality King* had been manufactured in the United States and exported by the copyright owner, after which they "found their way back to the United States" without the copyright owner's permission. 523 U.S. at 139. Because that case involved a "'round trip' journey," the Court's opinion in *Quality King* did not "resolve cases in which the allegedly infringing imports were manufactured abroad." *Id.* at 154 (Ginsburg, J., concurring).[2]

B. The Present Controversies

1. *Kirtsaeng* (No. 11-697)

Petitioner Supap Kirtsaeng "subsidize[d] the cost of his education" by arranging for family and friends to purchase and ship him "foreign edition textbooks printed abroad" by a Wiley subsidiary, which he then sold at a profit in the United States. Kirtsaeng Pet.

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[2] This Court subsequently granted review in *Costco Wholesale Corp.* v. *Omega, S.A.*, No. 08-1423, which presented the issue reserved in *Quality King*. The Court affirmed in *Costco* by an evenly divided Court, with Justice Kagan recused. *See Costco Wholesale Corp.* v. *Omega, S.A.*, 131 S. Ct. 565 (2010) (per curiam). While Solicitor General, Justice Kagan was counsel of record on an invitation brief advancing the government's position in *Costco* that Section 109(a) is inapplicable to copies made abroad. *See* U.S. Cert. Br. 9-10. The brief also states that the "same question" on which the government opined was presented in both of the cases now before the Court. *Id.* at 6 n.3 (discussing *Kirtsaeng* and a premature notice of appeal in *Liu*, which was held in abeyance pending resolution of the petition for permission to appeal).

App. 6a. Following a trial, a jury found Kirtsaeng liable for willful copyright infringement. *Id.* at 12a.

a. Wiley publishes academic, scientific, and educational books, including textbooks, for sale both domestically and internationally. Kirtsaeng Pet. App. 5a. Textbooks "intended for international markets can differ from the domestic version in design, supplemental content . . . , and the type and quality of materials used for printing." *Ibid.* In addition, "[t]he foreign editions . . . are marked with a legend to designate that they are to be sold only in a particular country or geographic region." *Id.* at 5a-6a. For example, one such designation stated:

> "This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required."

Id. at 6a (quoting C.A. J.A. 406).

b. Wiley brought suit against Kirtsaeng in the Southern District of New York, alleging (as relevant here) that his sale of Wiley's textbooks constituted copyright infringement. Kirtsaeng Pet. App. 7a. Wiley maintained that the "sale of the foreign editions in the United States" infringed the "U.S. copyrights held by Wiley on its American editions." *Id.* at 8a n.7.

Kirtsaeng sought to defend himself at trial by arguing that his sales were protected by the first-sale doctrine codified in 17 U.S.C. § 109(a). The district court, however, concluded that Section 109(a) is "unavailable to the goods manufactured in a foreign country." Kirtsaeng Pet. App. 59a. Because "[t]here is no indication that the imported books . . . were manufactured pursuant to the U.S. Copyright Act," and indeed "the textbooks introduced as evidence purport, on their face, to have been published outside of the United States," the district court barred Kirtsaeng from asserting a defense under Section 109(a). *Id.* at 73a.

The jury found Kirtsaeng liable for infringing each of the works at issue. Kirtsaeng Pet. App. 12a. It further determined that Kirtsaeng's infringement had been willful. *Ibid.* Pursuant to 17 U.S.C. § 504(c), the jury awarded statutory damages of $75,000 for each of the works. *Ibid.*; *see also* 17 U.S.C. § 504(c)(2) (permitting up to $150,000 in statutory damages for willful infringement).

c. The Second Circuit affirmed. It acknowledged, at the outset, that Wiley's reading of Section 109(a), which "interpret[s] 'lawfully made under this title' to mean 'lawfully made in the United States,'" is "certainly consistent with the text of [Section] 109(a)." Kirtsaeng Pet. App. 21a. But the court nonetheless believed that a "textual analysis alone is not sufficient" because, in its view, the text "could plausibly be interpreted to mean any number of things," including "'any work made that is subject to protection under this title'" and "'lawfully made under this title had this title been applicable.'" *Id.* at 22a-24a.

The Second Circuit therefore turned to the "structure of Title 17 as well as [this Court's] opinion in *Quality King*." Kirtsaeng Pet. App. 28a. The court noted that Section 602(a)(1) of the Copyright Act, which prohibits unauthorized importation of copyrighted works acquired abroad, is "obviously intended to give copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item." *Id.* at 24a-25a.

"If the first sale doctrine codified in [Section] 109(a) only applie[d] to copyrighted copies manufactured domestically," the Second Circuit explained, then copyright holders could still "control the circumstances in which copies manufactured abroad could be legally imported into the United States." Kirtsaeng Pet. App. 25a. By contrast, "the mandate of [Section] 602(a)(1)" would "have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad that was either made 'subject to protection under Title 17,' or 'consistent with the requirements of Title 17 had Title 17 been applicable.'" *Ibid.*

"[I]n light of its necessary interplay" with Section 602(a)(1), the Second Circuit held, Section 109(a) is "best interpreted as applying only to works manufactured domestically." Kirtsaeng Pet. App. 26a. The court emphasized that it was "comforted" in reaching this conclusion "by the fact that [its] interpretation of [Section] 109(a) is one that [this Court] appear[s] to have had in mind when deciding *Quality King*." *Ibid.*

The Second Circuit noted that, in *Quality King*, this Court stated that Section 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title,'" which "encompasses

copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U.S. at 147 (quoting 17 U.S.C. § 109(a)). "This last sentence indicates that, in the Court's view, works 'lawfully made' under the laws of a foreign country—though perhaps not produced *in violation* of any United States laws—are not necessarily 'lawfully made' insofar as that phrase is used in [Section] 109(a)." Kirtsaeng Pet. App. 27a.

Because "all the books in question were manufactured outside of the United States," the district court "correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified in [Section] 109(a)." Kirtsaeng Pet. App. 27a. Accordingly, the Second Circuit affirmed the judgment below. *Id.* at 33a.

District Judge Murtha, sitting by designation, dissented. He would have held that "the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured." Kirtsaeng Pet. App. 34a.

2. *Liu* (No. 11-708)

Petitioner Ganghua Liu is an "internet entrepreneu[r]" who "purchase[s] [Respondents'] low-priced foreign editions abroad, import[s] them into the United States, and then sell[s] them to U.S. customers using websites maintained by third parties." Liu Pet. App. 5a. Respondents brought suit against Liu in the Southern District of New York, seeking an injunction to prevent him from importing and selling foreign editions of their copyrighted works, as well as damages and attorneys' fees. *Ibid.*

As in *Kirtsaeng*, the textbooks published by Respondents are "customized for the geographic mar-

kets in which they are sold." Liu Pet. App. 4a. "Editions authorized for sale in the United States are of the highest quality, and are printed with strong, hard-cover bindings with glossy protective coatings," whereas "[e]ditions authorized for sale outside of the United States . . . have thinner paper, different bindings, different cover and jacket designs, lower ink colors, and lower-quality photographs and graphics." *Ibid.* "The cover of a foreign edition," moreover, "may include a legend indicating that the book is a 'Low Price Edition' or only authorized for sale in a particular country or geographic region." *Id.* at 4a-5a.

a. Liu moved to dismiss the complaint, arguing that his "importation and sale of [Respondents'] foreign editions does not infringe [their] copyrights, because [his] actions are protected by the first-sale doctrine." Liu Pet. App. 5a-6a. Noting that "[t]he foreign editions are uniformly manufactured outside the United States," *id.* at 5a, the district court characterized the "narrow" issue before it as whether the first-sale doctrine is "applicable when a copy of a copyrighted work is manufactured abroad and imported into the United States," *id.* at 11a.

According to the district court, it might have concluded that the first-sale doctrine's limitation to copies "'lawfully made under this title' refers not to the *place* a copy is manufactured, but to the *lawfulness* of its manufacture as a function of U.S. copyright law." Liu Pet. App. 12a (quoting 17 U.S.C. § 109(a)). The court emphasized, however, that such a holding would "overloo[k] an important piece of data"—namely, this Court's decision in *Quality King*. *Id.* at 18a.

As the district court recognized, this Court "noted [in *Quality King*] that [Section] 602(a) gives a copyright owner the power to prohibit the importation of copies manufactured abroad with the U.S. rightsholder's authorization." Liu Pet. App. 19a. The Court "specifically considered the fact pattern presented by this case" and determined that "the U.S. copyright holder is entitled to maintain an infringement action against the importer under [Section] 602(a)." *Id.* at 20a. Thus, the district court held, the first-sale doctrine cannot be "appl[ied] to copies of a copyrighted work manufactured abroad." *Id.* at 21a.

"Because the foreign editions" purchased by Liu "were manufactured abroad," Liu "did not acquire ownership of copies 'lawfully made under this title.'" Liu Pet. App. 21a (quoting 17 U.S.C. § 109(a)). The first-sale doctrine therefore does not apply, and Liu's importation and sale of Respondents' foreign editions is "actionable under . . . the [Copyright] Act." *Ibid.* The district court accordingly denied Liu's motion to dismiss. *Ibid.*

b. The district court subsequently certified its order on Liu's motion to dismiss for interlocutory appeal under 28 U.S.C. § 1292(b). The court reasoned that "the question of whether 17 U.S.C. § 109(a) entitles [Liu] to sell the 'grey market' books without [Respondents'] consent is a question of law that essentially controlled the disposition of [Liu's] motion to dismiss." Liu Pet. App. 25a. The district court also believed that there were "substantial grounds for differences of opinion . . . on that issue," noting that, in an opinion decided before *Quality King*, the Third Circuit had expressed "'some uneasiness'" with holding that the first-sale doctrine is inapplicable to cop-

ies manufactured abroad. *Ibid.* (quoting *Sebastian Int'l Inc.* v. *Consumer Contacts (Pty) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988)).

c. The Second Circuit denied Liu's request for interlocutory review. Citing its decision in *Kirtsaeng*, the Second Circuit concluded, without further explanation, that "an immediate appeal is unwarranted." Liu Pet. App. 2a.

REASONS FOR DENYING THE PETITIONS

The Second Circuit held that the first-sale doctrine codified in 17 U.S.C. § 109(a), which applies only to copies "lawfully made under this title," is inapplicable to copies made under the laws of foreign countries. Petitioners claim that there is a circuit split on this issue, but they have not identified any court of appeals that has *ever* applied the first-sale doctrine to foreign-made copies where, as here, the copyright holder has not authorized their sale in the United States. And while Petitioners insist that the Ninth Circuit would apply the first-sale doctrine to foreign copies given such authorization, purportedly unlike the Second Circuit below, the Ninth Circuit has specifically reserved the question whether that approach is still good law in the circuit; in any event, the decision below does not implicate this supposed disagreement because it is undisputed that Respondents did not authorize the domestic sale of any foreign-manufactured textbooks.

The Second Circuit's approach is consistent, moreover, with the text of the statute, this Court's decision in *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135 (1998), and the purposes of the Copyright Act. The statutory phrase "lawfully made under this title" is best read as referring only to copies made where the Cop-

yright Act is applicable; because the Copyright Act does not have extraterritorial effect, it makes little sense to claim that a copy made in a foreign country, pursuant to that country's copyright laws, was "lawfully made under this title." Indeed, this Court in *Quality King* recognized that copies made by a foreign distributor would not be made "under" the Copyright Act. That interpretation preserves the congressional purpose in enacting an import limitation designed to permit copyright holders to treat international and domestic markets differently with respect to a particular copyrighted item, *see* 17 U.S.C. § 602(a)(1), which is precisely what Petitioners are seeking to prevent through their invocation of Section 109(a) in this case.

Even if this Court were to conclude, however, that its review of the question presented is warranted, it should grant review only in *Kirtsaeng*, No. 11-697, and either deny the petition for a writ of certiorari in *Liu*, No. 11-708, or hold that petition pending resolution of *Kirtsaeng*. The procedural posture in *Liu*, where the Second Circuit denied a petition for permission to appeal, raises antecedent jurisdictional issues that would only complicate, and perhaps preclude, this Court's consideration of the question presented in that case.

I. THE DECISION BELOW DOES NOT IMPLICATE ANY SPLIT AMONG THE CIRCUITS.

Every court of appeals to decide the issue has agreed that the first-sale doctrine in Section 109(a) does not apply to copies manufactured abroad, at least where (as here) the copy at issue has not been subject to any domestic sale authorized by the copyright holder. That has been the consensus view of courts and commentators for almost 30 years. Peti-

tioners have not identified any disagreement among the circuits, let alone one that would be implicated in this case.

A. In 1983, the Eastern District of Pennsylvania held that Section 109(a) does not "gran[t] first sale protection" to "purchasers of imports." *CBS, Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd*, 738 F.2d 421, 424 (3d Cir. 1984). Since that time, numerous other courts—including the only two courts of appeals to address the question—have endorsed this view. *See BMG Music* v. *Perez*, 952 F.2d 318, 319-20 (9th Cir. 1991) (citing *Scorpio* with approval); Kirtsaeng Pet. App. 26a.[3] Although Liu attempts to dismiss this long line of authority as a product of "[g]roupthink," Liu Pet. 26, the consistent outcome in these cases cannot be reconciled with Petitioners' suggestion that the lower-court decisions evidence "uncertainty" that warrants review by this Court.

The consensus view of the lower courts is shared by commentators. As a leading copyright treatise explains, the Copyright Act should be "interpreted to bar the importation of gray market goods that have been manufactured abroad." 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*

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[3] *See also, e.g.*, *Microsoft Corp.* v. *Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1317 (S.D. Fla. 2008); *Swatch S.A.* v. *New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla. 2006); *Original Appalachian Artworks, Inc.* v. *J.F. Reichert, Inc.*, 658 F. Supp. 458, 463 (E.D. Pa. 1987); *CBS Inc.* v. *Casino Record Distribs., Inc.*, 654 F. Supp. 677, 678 (S.D. Fla. 1987); *Hearst Corp.* v. *Stark*, 639 F. Supp. 970, 976-77 (N.D. Cal. 1986); *Selchow & Righter Co.* v. *Goldex Corp.*, 612 F. Supp. 19, 25 (S.D. Fla. 1985); *Nintendo of Am., Inc.* v. *Elcon Indus., Inc.*, 564 F. Supp. 937, 943-44 (E.D. Mich. 1982).

§ 8.12[B][6][c] (2011). Another leading commentator similarly notes that the Copyright Act prohibits the importation of copies that "were not 'lawfully made under this title,' *i.e.*, were not made in the United States." 4 William F. Patry, *Patry on Copyright* § 13:44 (2012).

B. Notwithstanding this broad consensus, Petitioners assert that there is a circuit split among the Second, Third, and Ninth Circuits. They are incorrect.

1. Third Circuit. Petitioners claim that the decision below conflicts with the Third Circuit's opinion in *Sebastian International, Inc.* v. *Consumer Contacts (Pty) Ltd.*, 847 F.2d 1093 (3d Cir. 1988). Because the copies at issue in *Sebastian* had been produced in the United States, however, the Third Circuit "specifically [did] not pass upon" whether the first-sale doctrine would apply to copies manufactured abroad. *Id.* at 1098.

Like *Quality King*, *Sebastian* involved the importation of hair-care products containing "labels printed in this country by the copyright owner." 847 F.2d at 1098. Anticipating this Court's decision in *Quality King*, the Third Circuit held that, "[b]ecause th[e] exclusive right [to prevent importation under Section 602(a)(1)] is specifically limited by the first sale provisions of [Section] 109(a), it necessarily follows that once transfer of ownership has cancelled the distribution right to a copy, the right does not survive so as to be infringed by importation." *Id.* at 1099.

The Third Circuit distinguished cases like *Scorpio* on the ground that they involved foreign-made copies. 847 F.2d at 1098. In a footnote, the Third Circuit expressed "some uneasiness" with interpreting Section 109(a) to apply only to domestic copies, as

Scorpio and the other cases had done. *Id.* at 1098 n.1. But the court nonetheless declined to resolve that issue, which was not before it. *Ibid.* The Third Circuit's "uneasiness" is thus not only *dictum*, as Kirtsaeng concedes (at 7), but *dictum* that did not even *purport* to resolve the question presented. There is no basis for Petitioners to claim that *Sebastian* establishes, or even touches upon, a circuit split.[4]

2. Ninth Circuit. Petitioners are similarly incorrect that the Second Circuit's decision creates a conflict with the Ninth Circuit. As Petitioners note, the Ninth Circuit indicated in several cases decided before *Quality King* that Section 109(a) might be applied even to copies made abroad if the foreign copies had been sold in the United States by authority of the copyright holder. *See* Kirtsaeng Pet. 8 (citing *Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994), and *Denbicare U.S.A. Inc.* v. *Toys R Us, Inc.*, 84 F.3d 1143, 1149-50 (9th Cir. 1996)). Although Petitioners never acknowledge as much, the Ninth Circuit has expressly *declined* to address whether these decisions remain good law following *Quality King*.

In *Omega S.A.* v. *Costco Wholesale Corp.*, the Ninth Circuit held that its "general rule that [Section] 109(a) refers 'only to copies legally made . . . in the United States' . . . remains binding precedent" after *Quality King*. 541 F.3d 982, 990 (9th Cir. 2008)

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[4] It is also significant that *Sebastian* was decided before *Quality King*. Whatever "uneasiness" the Third Circuit might have perceived should be eliminated by *Quality King*'s indication that Section 109(a) is inapplicable to foreign-made copies. *See infra* Part II.B.

(quoting *BMG Music*, 952 F.2d at 319), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010). The Court explained, however, that it did not need to "decide whether *Drug Emporium*'s and *Dembicare*'s exception to the rule in *BMG Music* also survives *Quality King*" because "[t]here is no genuine dispute that the copies" at issue "were sold in the United States without [the copyright holder's] authority." *Ibid.*

The Ninth Circuit's refusal to address the "continuing viability" of its pre-*Quality King* caselaw (541 F.3d at 990) precludes any assertion that there is now a relevant disagreement among the circuits. Instead, the question whether Section 109(a) applies to foreign copies after an authorized domestic sale has not been definitively resolved in the Ninth Circuit.

In any event, the Second Circuit below had no occasion to address whether it might adopt a similar exception. Petitioners seize on the Second Circuit's statement that the Ninth Circuit's approach, under which the first-sale doctrine applies even to foreign-made copies following an authorized domestic sale, has "not [been] adopted by other courts of appeals." Kirtsaeng Pet. App. 26a. This statement is certainly true: Before the decisions below, the Ninth Circuit was the *only* court of appeals to decide whether the first-sale doctrine applies to foreign-made copies, whether subject to an authorized domestic sale or otherwise. But it is also a far cry from holding that foreign-made copies are *never* subject to Section 109(a).

Because Kirtsaeng's and Liu's sales were indisputably not authorized by Respondents, there was no need for the Second Circuit to resolve the issue whether the first-sale doctrine would apply to for-

eign-made copies after an authorized domestic sale. Thus, even if this Court were interested in the issue, it is not implicated here.

II. THE DECISION BELOW IS CONSISTENT WITH THE STATUTORY TEXT, THIS COURT'S OPINION IN *QUALITY KING*, AND THE PURPOSES OF THE COPYRIGHT ACT.

Implicitly acknowledging that their claim of a circuit split is insubstantial, Petitioners devote the majority of their discussion to arguing that the decision below is incorrect. Petitioners' position on the merits is hardly a compelling basis for this Court to grant review of an issue that has so consistently been resolved against that position. And, as the consensus view of courts and commentators suggests, Petitioners are incorrect in any event. The Second Circuit's conclusion that Section 109(a) does not apply to sales of copies made outside the United States is consistent with the text of the statute, this Court's opinion in *Quality King*, and the purposes of the Copyright Act.

A. Section 109(a) provides that "the owner of a particular copy . . . *lawfully made under this title*" is "entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a) (emphasis added). The phrase "lawfully made under this title" is most naturally understood as referring only to copies made in conformance with the Copyright Act *where the Copyright Act is applicable*. It makes little sense, in contrast, to say that conduct occurred "under this title" where Title 17 does not apply at all.

It has long been established that the Copyright Act does not apply outside the United States, and thus the foreign production of a copy for distribution

exclusively abroad does not implicate any of the exclusive rights granted by the Copyright Act. *See, e.g.*, *United Dictionary Co.* v. *G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908). There is, accordingly, no basis for "ascrib[ing] legality under the Copyright Act to conduct that occurs entirely outside the United States." *Costco*, 541 F.3d at 988. Instead, the legality of a copy produced in a foreign country is governed by that country's own copyright laws; a foreign copy is either lawfully or unlawfully made *under the law of the particular foreign country*.

Petitioners claim that "a copy is 'lawfully made under' a statute" if it was "made in compliance with the legal principles articulated in the statute." Kirtsaeng Pet. 21; *see also* Liu Pet. 18 ("according to the Copyright Act" (emphasis omitted)). Not only does this ignore the statutory term "under," Petitioners never explain how a foreign copy could be "made in compliance with" a statute that does not have any extraterritorial application; in those circumstances, there is nothing to "compl[y] with." As the Second Circuit recognized, Petitioners' position must be that the relevant inquiry is whether the copy was "'lawfully made under this title *had this title been applicable*.'" Kirtsaeng Pet. App. 24a (emphasis added). The text of Section 109(a), however, does not envision this counterfactual inquiry. And that is particularly telling since a different provision of the Copyright Act—the prohibition on importing piratical copies—expressly turns on whether "the making of the copies . . . would have constituted an infringement of copyright *if this title had been applicable*." 17 U.S.C. § 602(b) (emphasis added); *see also id.* § 602(a)(2) (same).

The fact that Congress "explicitly employed" Petitioners' preferred interpretation of the statute "elsewhere in Title 17" (Kirtsaeng Pet. App. 24a n.38) also undermines their argument that Congress "use[d] the phrase 'manufactured in the United States' when that is what was intended." Kirtsaeng Pet. 23. As the Second Circuit noted, *each* of the three "possible" interpretations of Section 109(a) that it considered had been employed by Congress in other statutory provisions. *See* Kirtsaeng Pet. App. 24a n.38. In any event, that Congress might have worded the statute differently does not change the fact that the enacted language cannot reasonably be stretched to cover copies made where the Copyright Act is inapplicable.

B. The Second Circuit's interpretation of Section 109(a) also "best comports" with the other sources bearing on the issue, including this Court's opinion in *Quality King*. Kirtsaeng Pet. App. 24a.

In *Quality King*, this Court rejected the argument that, "because importation nearly always implies a first sale," Section 602(a)(1) would be rendered "superfluous" unless it reaches "nonpiratical ('lawfully made') copies sold by the copyright owner" without regard to the first-sale defense. 523 U.S. at 146. Among other things, the Court explained, Section 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.'" *Id.* at 147. "That category," the Court noted, "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Ibid.*

This Court's opinion recognized that copies may be made either "under the United States Copyright Act," or "under the law of some other country," but

not "under" both. 523 U.S. at 147; *see also id.* at 148 (noting that Section 602(a)(1) "encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country"). Petitioners, in contrast, must argue that the textbooks at issue here were simultaneously "lawfully made under" *both* the Copyright Act *and* foreign law.

The Court illustrated its conclusion in *Quality King* by invoking "one example" involving market allocation agreements drawn from the "deliberations that led to the enactment of the 1976 Act." 523 U.S. at 147. The Court explained that, "[e]ven in the absence of a market allocation agreement" between "a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies." *Id.* at 148. In contrast:

> If the author of the work gave the exclusive United States distribution rights . . . to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition . . . , presumably only those made by the publisher of the United States edition would be "lawfully made under this title" within the meaning of [Section] 109(a).

Ibid. (footnote omitted). This passage necessarily means that the copyright owner may grant distribution rights limited to foreign markets, and that the foreign-made copies produced for those markets are not "lawfully made under" the Copyright Act. *See, e.g.*, Am. Bar Ass'n, Recommendation No. 109, at 8-9 (Feb. 2010) ("[I]t is apparent from the Supreme Court's decision in *Quality King* that a copyright

owner may, pursuant to [Section] 602(a), prevent the importation of certain copyrighted works lawfully made under the law of another country.").[5]

C. Finally, the Second Circuit's interpretation of Section 109(a) comports with the purposes of the Copyright Act. In particular, although the Copyright Act was amended in 1976 to "allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item," interpreting the first-sale doctrine to apply even to copies manufactured abroad would render this statutory amendment meaningless "in the vast majority of cases." Kirtsaeng Pet. App. 24a-25a.

1. The Copyright Act of 1909 prohibited the importation only of "piratical copies of any work copyrighted in the United States." 17 U.S.C. § 106 (1947). This "earlier prohibition is retained" in Section 602(b) of the Copyright Act of 1976, *Quality King*, 523 U.S. at 146, which prohibits importation of copies "the making of [which] . . . would have constituted an infringement of copyright if this title had been applicable," 17 U.S.C. § 602(b). Under pre-1976

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[5] Petitioners try unsuccessfully to distinguish *Quality King*, arguing that "the example 'makes no reference to the place of manufacture'" and that "'there has been no first sale.'" Liu Pet. 26; *see also* Kirtsaeng Pet. 33. There is every reason to believe that this Court's distinction between domestic and foreign distribution rights rested on the assumption that the "publisher of the British edition" would have manufactured the work abroad, particularly since the Court's example was discussing possible liability for *importation*. And the fact that there has been no first sale in the example is irrelevant; the Court's example simply illustrates the proper interpretation of the phrase "lawfully made under this title."

law, therefore, a copyright holder could not prevent the importation of copies, such as the textbooks at issue here, that had been made in a foreign country by, or with the authorization of, the copyright holder. *See, e.g.*, House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Pt. 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 193 (Comm. Print 1963).

In response to concerns that this approach unduly restricted the ability of copyright holders to enter into agreements to divide international markets, the Copyright Office endorsed, and Congress ultimately enacted, legislation to create an additional limitation on importation of "foreign copies that were made under proper authority." House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Pt. 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 203 (Comm. Print 1964). In particular, the proposal was designed to prohibit importation where "the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Pt. 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 150 (Comm. Print 1965).

Consistent with its design, Section 602(a)(1) sweeps broadly to bar any "[i]mportation into the United States" of "copies . . . of a work that have been acquired outside the United States" unless the importer obtains "authority of the owner of copyright." 17 U.S.C. § 602(a)(1). Under this provision, a copyright holder "ha[s] the right to prevent [foreign-made] products from entering the United States and

competing with the identical products authorized to be distributed here." *Swatch S.A.* v. *New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla. 2006). Kirtsaeng's suggestion (at 30-31) that Congress nonetheless intended to allow "international markets" to "respon[d] to price discrimination the way markets routinely do" is untenable given the text and history of Section 602(a)(1).

2. For Section 602(a)(1) to have any real meaning, the first-sale doctrine in Section 109(a) cannot be read so broadly that it would encompass the "vast majority" of lawful copies. Kirtsaeng Pet. App. 25a. Otherwise, because "importation nearly always implies a first sale," *Quality King*, 523 U.S. at 146, the copyright holder's ability to limit importation of copies into the United States effectively would be eliminated. Petitioners strive mightily to identify *some* category of cases that would remain actionable under Section 602(a)(1) despite their interpretation of the first-sale statute, but they have failed to do so.

Kirtsaeng claims, for instance, that Section 602(a)(1) still could prohibit the holder of an exclusive foreign distribution right, but not the American distribution rights, from "exporting its copies and selling them directly into the U.S." Kirtsaeng Pet. 31. Yet if the foreign distributor were "the owner of a particular copy . . . lawfully made under this title," then it would be entitled "to sell or otherwise dispose of . . . that copy" notwithstanding Section 602(a)(1). 17 U.S.C. § 109(a). Moreover, Kirtsaeng ignores that the foreign distributor also could avoid liability, under Petitioners' approach, simply by reversing the order of shipment and sale. By selling the copies abroad—whether to an individual purchaser or even to a separately incorporated distribu-

tor—the foreign distributor could avoid application of Section 602(a)(1) to its activities, and the domestic purchaser would then be able to invoke Section 109(a) as a basis for its importation.

Kirtsaeng also insists that Section 602(a)(1) "provides remedies against various forms of piracy." Pet. 31. But the importation of piratical works is separately prohibited by Section 602(a)(2), which bars the importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable." 17 U.S.C. § 602(a)(2). Indeed, Section 602(a)(1) was enacted *precisely because* the existing ban on importation of piratical copies was deemed insufficient protection for copyright holders. *See supra* at 23.

Kirtsaeng's remaining examples verge on the fanciful. That it may be possible to imagine unusual cases where "the importer is not the owner of the copies and there has not yet been a first sale" (Kirtsaeng Pet. 31) hardly means that the statute has any application in the "vast majority of cases." Kirtsaeng Pet. App. 25a. It is, instead, clear that Petitioners' sweeping interpretation of Section 109(a) would eviscerate Congress's decision that copyright holders may restrict importation of foreign copies.

III. THE COURT'S REVIEW IS UNNECESSARY AT THIS TIME.

Petitioners and their *amici* claim that this Court's review is "now more important than ever" (Kirtsaeng Pet. 5) because the decision below purportedly "makes it substantially easier for copyright

holders to *eliminate* secondary markets." Liu Pet. 28. These concerns are unfounded.[6]

A. As an initial matter, the bulk of Petitioners' arguments depend on their belief that the Second Circuit would refuse to apply the first-sale doctrine even if the copyright holder had authorized sale of the foreign-made copy in the United States. *See* Liu Pet. 28 ("This would be true *even where the copyright holder chose to sell the copy in the United States and was compensated for that sale.*"). Kirtsaeng's speculation (at 28) that "big movie producers" could "demolish movie rental services" by "manufacturing DVDs in Mexico," for instance, depends critically on his assumption that the subsequent authorized sale of those DVDs in the United States would not implicate the first-sale doctrine. The same is true of Liu's argument (at 13) that the decision below creates "perverse incentive for U.S. copyright owners to reproduce copies of their copyrighted works outside the United States."

As explained above, however, this case does not involve an authorized domestic sale, and the Second

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[6] Petitioners also rely heavily on this Court's decision to grant review in *Costco*. When this Court did so, the Ninth Circuit was the only court of appeals to have addressed the scope of Section 109(a) following *Quality King*. The petition for certiorari in that case billed the decision as an "erroneous and unreasoned departur[e] from *Quality King*'s reasoning." Costco Pet. 26. The Second Circuit's decision in this case, however, confirms that the Ninth Circuit is not an outlier in its interpretation of Section 109(a). Moreover, it has now been almost three years since the petition for certiorari was filed in *Costco*, and almost two years since it was granted. Yet the supposedly adverse consequences of construing Section 109(a) to apply only to domestic copies, as claimed in Costco's petition and repeated here, have yet to materialize. *See infra* at 27-28.

Circuit therefore had no occasion to decide whether to apply Section 109(a) in such a case. *See supra* at 17-18. If a court of appeals ever holds that the first-sale doctrine is inapplicable even though the copyright holder had authorized sale in the United States, this Court will have adequate opportunity to decide whether Petitioners' professed concerns about that hypothetical holding are sound.

B. Moreover, the arguments advanced by Petitioners ignore that the Second Circuit's decision below is consistent with the consensus view of courts and commentators for almost 30 years. If Petitioners were correct that the Second Circuit's interpretation of Section 109(a) will cause such dire consequences, those consequences should already have occurred in response to earlier decisions. Yet Petitioners cannot identify even a single example of a copyright holder locating its manufacturing operations overseas in an attempt to impose restrictions on resale in the domestic market, or indeed any of the other "perverse incentive[s]" (Liu Pet. 13) supposedly created by the decision below.

Kirtsaeng concedes that, given the complete absence of support for his imagined "parade of horribles," the "natural response" would be to "roll one's eyes." Kirtsaeng Pet. 15. He therefore resorts to rhetoric, breathlessly claiming that the potential for such adverse consequences is illustrated by the fact that "a major international publisher" chose to "doggedly pursue a graduate student who sold textbooks." *Ibid.* Kirtsaeng, who earned tens of thousands of dollars selling Wiley's copyrighted textbooks in direct violation of those copyrights and in contravention of the clear territorial restrictions placed by Wiley on its foreign-made textbooks, is hardly an ordinary

"graduate student who sold textbooks." But in any event, Kirtsaeng never explains how Respondents' decisions to pursue this litigation have any bearing on whether copyright holders will engage in the extreme behavior he identifies as potentially abusive—such as, for instance, attempting to impose resale restrictions in the United States after *authorizing* the domestic sale of a foreign-made copy.[7]

C. Finally, to the extent that Petitioners claim the Second Circuit's decision warrants review because it permits retailers to "charge more" in the United States for "books with the same content as the ones they sell abroad," Kirtsaeng Pet. 11, this is simply a consequence of *Congress*'s decision to "allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item," Kirtsaeng Pet. App. 24a-25a.

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[7] For similar reasons, Kirtsaeng is incorrect to speculate that "clever sellers" might seek to exploit the Second Circuit's rule by "slap[ping] some sort of design" onto "products that are not ordinarily considered worthy of copyright protection." Kirtsaeng Pet. 12. There is, of course, no allegation that any such conduct occurred in this case; rather, Kirtsaeng concedes that the textbooks at issue "lie at the heart of this nation's carefully balanced copyright framework." *Id.* at 17. Kirtsaeng's argument is better addressed by considering, in an appropriate case, whether the copyright-misuse doctrine provides a basis for precluding enforcement of the copyright. *See Lasercomb Am., Inc.* v. *Reynolds*, 911 F.2d 970, 973-77 (4th Cir. 1990). This is, indeed, precisely what happened on remand in *Costco*, where the district court granted summary judgment to Costco under the copyright-misuse doctrine. *See* D.E. 415, at 3, No. 2:04-cv-05443 (C.D. Cal. Nov. 9, 2011) ("Omega misused its copyright of the Omega Globe Design by leveraging its limited monopoly in being able to control the importation of that design to control the importation of its Seamaster watches.").

Market segmentation creates many benefits for consumers and producers. Among other things, it permits the copyright holder to "license the printing of lower-priced editions in foreign countries," including developing countries, without, "in effect, los[ing] U.S. copyright protection for, and profits on, their higher-priced U.S. works." Kirtsaeng Pet. App. 69a. This, in turn, "encourage[s] . . . the broad publication of U.S.-copyrighted works." *Id.* at 70a.

As this Court has recognized, whether it is "wise policy to provide statutory protection for . . . price discrimination" is an issue committed to Congress. *Quality King*, 523 U.S. at 153. That Congress decided in 1976 to permit market segmentation thus forecloses Petitioners' argument that the lower prices of Respondents' foreign textbooks somehow provides a basis for this Court's review.

IV. If This Court Decides To Review The Question Presented, It Should Grant Certiorari Only In *Kirtsaeng*.

The Second Circuit has issued only one published opinion addressing whether Section 109(a) applies to copies made abroad. *See* Kirtsaeng Pet. App. 1a-43a. If this Court were inclined to review the issue, it should grant review in that case—*Kirtsaeng*, No. 11-697—and either deny the later-filed petition for certiorari in *Liu*, No. 11-708, or hold that petition pending resolution of *Kirtsaeng*.

A. Unlike *Kirtsaeng*, *Liu* reaches this Court after the Second Circuit's denial of a petition for permission to appeal under 28 U.S.C. § 1292(b). Liu Pet. App. 1a-2a. This procedural posture renders *Liu* an inappropriate vehicle for this Court's review because the Court would be forced to consider and decide an antecedent jurisdictional issue—namely,

whether the Court has jurisdiction under 28 U.S.C. § 1254(1) when the court of appeals has denied permission to appeal under Section 1292(b). *See, e.g.*, *DTD Enters., Inc.* v. *Wells*, 130 S. Ct. 7, 8 (2009) (statement of Kennedy, J., respecting denial of certiorari) ("If [the Court] were to grant the petition [it] would be required to . . . confront a procedural obstacle unrelated to the question presented."); *Wrotten* v. *New York*, 130 S. Ct. 2520, 2520 (2010) (statement of Sotomayor, J., respecting denial of certiorari) ("Granting the petition for certiorari . . . would require [the Court] to resolve the threshold [jurisdictional] question . . . .").

The jurisdictional issue would require determining whether denials of petitions under Section 1292(b) are "[c]ases in the courts of appeals." 28 U.S.C. § 1254(1). Although this Court has previously *exercised* its jurisdiction in these circumstances, *see Tidewater Oil Co.* v. *United States*, 409 U.S. 151 (1972), "the Court has never *addressed* its jurisdiction to review an issue certified by a district court under Section 1292(b) that the court of appeals declined to review," Scott E. Gant, *The Law of Unintended Consequences: Supreme Court Jurisdiction over Interlocutory Class Certification Rulings*, 6 J. App. Prac. & Process 249, 262 n.49 (2004) (emphasis added).

According to Liu, this Court has jurisdiction under *Nixon* v. *Fitzgerald*, which resolved an issue of absolute immunity raised in an interlocutory appeal after the court of appeals had dismissed the appeal for lack of jurisdiction. 457 U.S. 731, 743 n.23 (1982). The court of appeals concluded that the order denying absolute immunity did not fall within the collateral-order doctrine because, in its view, the pe-

titioner "raised no 'serious or unsettled question' of law." *Id.* at 743. Exercising its "power to review a court of appeals' decision to dismiss for lack of jurisdiction," this Court held that the petitioner "did present a 'serious and unsettled' and therefore appealable question to the Court of Appeals." *Id.* at 743 & n.23. "It follows," the Court explained, "that the case was 'in' the Court of Appeals under [Section] 1254 and properly within [the Court's] certiorari jurisdiction." *Id.* at 743.

Nixon is inapposite. The Second Circuit did not dismiss Liu's appeal for lack of jurisdiction, so the fact that this Court may review such dismissals says nothing about whether it may similarly review denials of leave to appeal under Section 1292(b). And the fact that a case is "in" the court of appeals under Section 1254 even where the court of appeals erroneously concludes otherwise does not establish that a petition under Section 1292(b) is a "[c]as[e] in [a] cour[t] of appeals." 28 U.S.C. § 1254(1).

To be sure, this Court has held that Section 1254(1) grants jurisdiction to review the denial of an application for a certificate of appealability. *Hohn* v. *United States*, 524 U.S. 236, 241 (1998), *cited in* Liu Pet. 31. Some commentators have concluded that *Hohn*'s reasoning should be extended to permit review "in any other case in which it is claimed that a court of appeals has improperly denied leave to proceed on appeal." 17 Charles Alan Wright *et al.*, *Federal Practice & Procedure* § 4036, at 17 (3d ed. 2007). Such an extension might raise practical difficulties in determining the standard (if any) by which the decision to deny review should be evaluated. *See*, *e.g.*, *id.* § 4036, at 17 n.24 (arguing that "the discretion to deny interlocutory appeal under 28 U.S.C. § 1292(b)"

is "so broad that Supreme Court reversal should never be available").

There is no need for this Court to address *any* of these antecedent questions in *Liu* when, as Liu concedes, the "exact same question regarding the scope of the first-sale doctrine" is presented in *Kirtsaeng*, which reaches this Court following final judgment. Liu Pet. 32.

B. If this Court decides to grant review in *Kirtsaeng*, it would be unnecessary to hold *Liu*. The fact that *Liu* reaches this Court in an interlocutory posture "alone furnish[es] sufficient ground for the denial of the application." *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916). And it is precisely because of that interlocutory posture that Liu cannot claim prejudice from the denial of his petition for certiorari; the lower courts are more than capable of addressing any decision by this Court in the ordinary course.

Moreover, even if the Court were to hold *Liu*, it could not take any action other than denying the petition without addressing the antecedent jurisdictional issue. *See Good Shot* v. *United States*, 179 U.S. 87, 88-89 (1900) (holding that "the writ of certiorari cannot properly be issued" where the Court "has no jurisdiction for determination on the merits"); *see also, e.g.*, *California* v. *Gordon*, 420 U.S. 938 (1975). Nor would it be appropriate to do so without considering the extent, if any, to which this Court may review the denial of an interlocutory appeal under Section 1292(b) *even if* the Court has jurisdiction to do so. *Cf. Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 475 (1978) ("The appellate court may deny the appeal for any reason . . . .").

At most, the Court should hold *Liu* if it decides to grant the petition for certiorari in *Kirtsaeng*. This Court should not complicate its consideration of a narrow issue of copyright law by injecting unrelated issues into the case.

CONCLUSION

The petitions for writs of certiorari should be denied. If the Court were to conclude that the question presented warrants review, however, it should grant the petition in No. 11-697 and either deny the petition in No. 11-708 or hold that petition pending disposition of No. 11-697.

Respectfully submitted.

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REPLY BRIEF

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AND
BRIEFS

Supreme Court, U.S.
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No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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ARGUMENT

I. THE SCOPE OF THE FIRST-SALE DOCTRINE IS CERT-WORTHY AND IMPORTANT.

The Petition revolves largely around a single proposition, which is captured in the first sentence of the "Reasons for Granting the Writ": "There can scarcely be a surer indication that an issue is cert-worthy than when this Court grants certiorari to resolve the issue, but splits 4-4, as this Court did in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010)." Searching for any acknowledgment of these facts in Wiley's Brief in Opposition is like trying to find a needle in a haystack. (Hint: Study the footnotes.) But Wiley cannot change the legal conclusions that flow from these facts. The issue is indeed cert-worthy.

Wiley parses the lower court cases and treatises in an effort to demonstrate that the issue is not in fact worthy of the Court's attention. *See* Opp. 13-18. Yet, when this Court grants certiorari on an issue, by definition that means the issue must be cert-worthy. Wiley's advocacy—mistakenly asserting a "consensus view of courts and commentators for almost 30 years," Opp. 13—amounts to little more than an indelicate assertion that this Court was misguided when it granted certiorari in *Costco*. After all, this Court granted certiorari 27 years into that purported history and at a point at which only one circuit had published a definitive ruling on the question presented.

The reasons for granting certiorari in *Costco* have not faded with the passage of a couple of years. Now, as then, the answer to the question presented is extraordinarily important to wide swaths of the business community. Notably, Wiley does not dispute this much. It says not a word in quarrel with the sections of the Petition summarizing all the businesses that have a stake in the answer to this question—from retailers to wholesalers, booksellers to watch sellers, software companies to car companies, librarians to consumers. Pet. 12-13, 28-29. Nor can Wiley dispute the sheer magnitude of the stakes—valued in the billions of dollars. Pet. 11.

All Wiley says on this point is that "it has now been almost three years since the Petition for certiorari was filed in *Costco*," "[y]et the supposedly adverse consequences ... have yet to materialize." Opp. 26 n.6. But the single most important adverse consequence—the legal bar on a huge stream of commerce—obviously has materialized, at least on the West Coast and, if certiorari is denied, in New York and throughout the Second Circuit. The rest of the adverse impacts are bound to materialize over time unless and until this Court intervenes.

Now, as when this Court granted certiorari, there is considerable doubt as to the correctness of the judgment below. Here, Wiley does quarrel. Opp. 18-25. Yet, all of Wiley's arguments as to the correctness of the Second Circuit's ruling fail to overcome the simple reality that half of the Justices believe it was wrong.

Since the last time this Court granted certiorari, two things have happened—both of which make this case even more cert-worthy than before. The first relates to the degree of uncertainty then versus now. Wiley is just plain wrong in asserting that there was some 30-year consensus as to what the law was when this Court granted certiorari in *Costco*. Opp. 13. The law about the scope of § 109 was sufficiently unclear that this Court granted certiorari to resolve the issue in *Quality King Distribs. v. L'Anza Research Int'l*, 523 U.S. 135 (1998)—although it ended up resolving the issue only as to so-called round-trip goods. While Wiley offers one reading of *Quality King*, it does not dispute that the alternative reading is reasonable. Pet. 17-34. And while Wiley cites two scholars supporting its view of the law, it neglects to mention that both of them support Petitioner's account of the post-*Quality King* state of play. Nimmer observes: "The remarkable upshot is that [the] unanimous Supreme Court opinion [in *Quality King*] has now addressed the copyright gray market, *without leaving any clear guidance* as to what the status is of pedestrian gray market goods manufactured abroad and sought to be imported into the United States." Melville B. Nimmer & David Nimmer, 2-8 *Nimmer on Copyright* § 8.12(B)(6)(c) n.456 (2011) (emphasis added). Consequently, as Patry explains, there was "disarray in the lower courts." 4 William F. Patry, *Patry on Copyright* § 13:44 (2011). But the grant of certiorari in *Costco* raised "the hope ... that resolution would finally come to this tortured realm." Nimmer, *supra*, § 8.12(B)(6)(d). "Tortured realm" is the opposite of a 30-year consensus.

The uncertainty back then pales in comparison to the uncertainty that abounds now that this Court split 4-4. As Nimmer observes, "That 2010 affirmance, if anything, casts more doubt than reassurance on the correctness of *Omega*'s reasoning." *Id.* Even if there had been a 30-year consensus among lower courts and commentators, that consensus would be utterly meaningless to the businesses making real-life decisions about how to invest their money, how to structure their operations, and what products to buy and sell. Those businesses know that the lower courts and commentators will not be deciding their fate. This Court will. And the moment this Court announced that its decision is on a razor's edge, it put all these businesses there as well.

The second event that occurred since this Court granted certiorari in *Costco* was the Second Circuit's decision in this case. As the petition explains—and Wiley acknowledges—back when this Court accepted *Costco*, the Ninth Circuit had come out one way (in *Costco* and other cases) and the Third Circuit had previously published a widely cited opinion expressing "uneasiness" with that position. *See Sebastian Int'l, Inc. v. Consumer Contacts (PTY) LTD*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988).

Wiley asserts that "[t]here is no basis for Petitioner[] to claim" that the Third Circuit was in conflict with the Ninth. Opp. 16. But lower courts certainly have seen a basis for reading the Third Circuit's opinion as an indication of how that court would resolve the question. *See Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009); P.A. 36-37a (Murtha, J., dissenting), 58-59a (district

court opinion). Moreover, the Third Circuit, itself, embraced the same position in an explicit holding in *Okocha v. Amazon.com*, 153 F. App'x 849, 849-50 (3d Cir. 2005). In that case, a copyright owner sued Amazon.com for copyright infringement in connection with the domestic sale of books that were unquestionably manufactured in Nigeria. *Id.* at 851. Nevertheless, the Third Circuit held that "Amazon.com did not interfere with [the copyright owner's] exclusive right to distribute his book because reselling a copy of a previously purchased book does not infringe upon the right of distribution." *Id.* at 850-51.

Thus, Wiley is mistaken when it asserts that "[e]very court of appeals to decide the issue has agreed that the first sale doctrine in Section 109(a) does not apply to copies manufactured abroad, at least where (as here) the copy at issue has not been subject to any domestic sale authorized by the copyright holder." Opp. 13. While the Third Circuit chose not to publish the opinion, there is little doubt that future panels and lower courts will think twice before departing from both the dictum in *Sebastian* and the explicit holding in *Okacha*. That is presumably why this Court considers unpublished opinions in deciding whether to grant certiorari. *See, e.g.*, *Hall Street Associates v. Mattel Inc.*, 552 U.S. 576, 583 n.5 (2008) (describing a split among the circuits by citing the unpublished opinion of one court and dicta from another); *see also* Eugene Gressman et al., *Supreme Court Practice* 263 (9th ed. 2007) ("[A]n unpublished or summary decision on a subject over which courts of appeals have split" signals "a persistent conflict.").

The Second Circuit's decision compounds the split, further fueling the uncertainty. Wiley does not—and cannot—dispute that the Second Circuit explicitly rejected the Ninth Circuit's rationale en route to its conclusion that the first-sale doctrine is inapplicable. Pet. 26a. Nor does Wiley dispute that the Second Circuit's substitute rationale has vastly more far-reaching ramifications. Thus, while it is technically true that the Second Circuit did not formally "hold[] that foreign-made copies are *never* subject to Section 109(a)," Opp. 17, Wiley does not explain how a subsequent panel could reach any other conclusion and remain faithful to the simple logic of the Second Circuit's opinion in this case. The dissent certainly believed that was the inescapable conclusion of the majority's rationale. P.A. 40a.

Though ignoring these critical considerations, Wiley at least acknowledges that this case presents the perfect vehicle for deciding the issue. Opp. 29-33. In contrast with *Liu*, which arrives at this Court saddled with a host of jurisdictional questions arising from its interlocutory origin, this appeal comes to this Court after a full trial in which the district court denied jury instructions on the first-sale defense, so that the legal issue is clearly outcome determinative as presented on this fully developed record.

II. WILEY'S ARGUMENTS ON THE MERITS ARE UNRESPONSIVE AND UNPERSUASIVE.

The Petition's discussion of the merits revolves around two propositions that Wiley never even mentions. First, Wiley does not address the point that

the Second Circuit interprets the Copyright Act in a manner that is fundamentally at odds with the structure of the Act and creates obvious inconsistencies in its application. Second, Wiley does not dispute, or even address, the far-reaching consequences of the decision below—consequences that gut the established doctrine of exhaustion. Instead, Wiley puts all its eggs in the extraterritorial basket. But Wiley's argument that Petitioner seeks an impermissible extraterritorial application of the U.S. Copyright Act is based on a fundamental misunderstanding of copyright law that this Court rejected in *Quality King*.

As the Petition explains (at 8, 19-20, 32), and *Quality King* confirms, § 602(a)(1), as a subset of § 106's right of distribution, is explicitly subject to the limitations and rights set forth in §§ 107 through 120. *Quality King*, 523 U.S. at 149-50. Among those limitations are fair use (§ 107), compulsory licensing (§ 115), *and* the first-sale doctrine (§ 109(a))—all on equal footing. Wiley does not resolve the central paradox of its position: Fair use and compulsory licensing indisputably trump the importation right of § 602(a). How could it be that the first-sale doctrine of § 109(a) does not?

Wiley is silent because the puzzle has no solution. Provisions that stand on equal statutory footing must have the same statutory consequence. *See Ali v. Federal Bureau of Prisons*, 552 U.S. 214, 222 (2008) (construction of a statutory term "must, to the extent possible, ensure that the statutory scheme is coherent and consistent"). That must mean that § 109(a) must be treated and applied in the same

way as the other provisions of §§ 107 through 120. And that, in turn, must mean that the first-sale doctrine applies to works manufactured abroad in the same way as the fair use doctrine does: When the effects are both felt and adjudicated in the United States, then both the protections and the exemptions of the Copyright Act apply. Since Wiley has no solution to this puzzle, its reading cannot be correct.

Wiley also does not dispute the far-reaching implications of the Second Circuit's decision, implicitly admitting that the Second Circuit's holding eradicates the long-standing principle of exhaustion with respect to foreign-made works. As set forth in the Petition, and unlike the Ninth Circuit's position on the issue, the Second Circuit's decision allows no possibility that the copyright in foreign-made works will ever be exhausted; they are never subject to the first-sale doctrine and as a result the original owner may trace them forever, through sale, rental, loan and gift. In fact, the Ninth Circuit, in choosing a different path, has acknowledged that such a ruling would go too far, noting that if imported copies were never subject to the first-sale defense, then "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996). Wiley has no response to this never-ending downstream control and makes no attempt to reconcile the Second Circuit result with the teachings of this

Court in *Bobbs-Merrill Co. v. Strauss*, 210 U.S. 339, 351 (1908) ("To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute ...."); *cf. Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008) ("The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.").

All Wiley offers is that this was not the Second Circuit's actual holding, because "this case does not involve an authorized domestic sale." Opp. 26. But Wiley does not dispute that this was what the Second Circuit intended, that the dissent raised alarms about that conclusion, P.A. 40-42a, or that future panels faithfully applying the court's logic will have no choice but to reach the same conclusion.

Rather than address these crucial points, Wiley waves the specter of extraterritoriality, arguing that "[i]t has long been established that the Copyright Act does not apply outside the United States, and thus the foreign production of a copy for distribution exclusively abroad does not implicate any of the exclusive rights granted by the Copyright Act." Opp. 18. This argument, however, is based on a misunderstanding of both the concept of extraterritoriality and the copyright laws. An extraterritorial application of the Copyright Act would be an effort to force foreigners to comply with U.S. copyright norms in their own countries *with respect to goods that never make it into the United States*. But there is nothing inappropriate about a law that reaches only products

that enter the U.S. market. And there is nothing extraterritorial about attaching consequences in the U.S. market to conduct committed abroad.

This Court made exactly that point in *Quality King*, when it held that certain precedent acts may occur outside the U.S. without causing any extraterritorial application of the Copyright Act. As the Court explained, the "owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does." *Quality King*, 523 U.S. at 145 n.14. This principle applies with equal force if the work is manufactured abroad. *See* 17 U.S.C. § 104(b)(2).

Notably, the Second Circuit rejected Wiley's extraterritorial argument, acknowledging that the issue is "more complicated than Wiley allows, since certain provisions of Title 17 explicitly take account of activity occurring abroad." P.A. 22a. As the court below observed: "[B]ecause § 104(b)(2) provides that copyright protection can apply to works published in foreign nations, it is possible to interpret § 109(a)'s 'lawfully made under this title' language to mean, in effect, 'any work that is subject to protection under this title.'" *Id.* As such, the place of manufacture in this instance has no bearing on whether U.S. copyright law is applicable; what matters is whether the copy finds its way into the United States.

Even more mystifying is Wiley's assertion that Petitioner may not seek protection "under both" U.S.

and foreign law. Opp. 20-21. That is exactly what Wiley is trying to do. Wiley argues that works manufactured abroad can only be considered creatures of foreign copyright (and thus the first-sale doctrine does not apply), but then, when the works arrive in the United States, Wiley calls on U.S. law to assert infringement. This have-your-cake-and-eat-it-too approach certainly was not what Congress intended and it is not mandated by any principle of extraterritoriality, particularly where the U.S. Copyright Act and the applicable foreign treaties seek to avoid such a result.

In the end, this whole discussion of the merits just confirms the central point of the Petition. The first-sale doctrine is a morass of conflicting provisions and policy concerns. Only this Court can straighten out the mess. And having heightened the confusion by splitting 4-4, it is important for this Court to do so sooner rather than later.

CONCLUSION

For these reasons, this Court should grant certiorari.

Respectfully submitted,

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March 20, 2012

AMICUS CURIAE BRIEF

No. 11-697

In the Supreme Court of the United States

SUPAP KIRTSAENG
d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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STATEMENT OF INTEREST[1]

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 16,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.

AIPLA has no interest in any party to this litigation, nor does AIPLA have a stake in the outcome of this case other than its interest in seeking a correct and consistent interpretation of the copyright laws.

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[1] *Amicus* provided counsel of record with notice of its intent to file this brief more than ten days prior to the due date, as required by Supreme Court Rule 37.2(a). All parties have consented to the filing of this brief by filing a blanket consent with the Court. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel. After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

AIPLA urges the Court to grant certiorari to clarify a question of exceptional importance to U.S. copyright owners, distributors of their works, and consumers alike. Specifically, under what circumstances, if any, does the first sale doctrine apply to copies of works manufactured abroad?

This Court first addressed the application of the first sale doctrine to imported copies in *Quality King Distributors Inc. v. L'anza Research International Inc.*, 523 U.S. 135 (1998), a case involving "round trip" copies that were manufactured in the United States, shipped abroad, and subsequently reimported. Though the entire Court agreed that the first sale doctrine applied to such copies, Justice Ginsburg wrote separately to distinguish the "round-trip" facts from the issue presented in this case: to what extent does the first sale doctrine apply when the copies were manufactured abroad? *See id.* at 154 (Ginsburg, J., concurring).

Recognizing the importance of this recurring legal question, this Court granted certiorari in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). But the resulting 4-4 split in this Court's voting on the merits of that case left the issue unsettled and, in effect, added instability as it is now clear that the Court is deeply divided on this major copyright issue.[2]

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[2] With Justice Kagan recused, only eight justices were eligible to vote in *Costco*.

The intellectual property community depends on a predictable legal regime to minimize costly disputes and encourage legitimate commerce. Now, more than ever, this Court's guidance is needed to settle the conflicting views of the courts and to restore stability to the marketplace for copies made abroad.

ARGUMENT

The profound importance of stability and uniformity in the application of the intellectual property laws has long been recognized. Indeed, as this Court explained in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, the promotion of "national uniformity in the realm of intellectual property" was among "the fundamental purposes behind the Patent and Copyright Clauses of the Constitution." 489 U.S. 141, 162 (1989) (citing The Federalist No. 43, p. 309 (B. Wright ed. 1961)); *see also Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 n.7 (1964) (noting "[t]he purpose of Congress to have national uniformity in patent and copyright laws"); *cf. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (emphasizing the importance of stability in the patent laws to protect the expectations of the inventing community).

With the incomplete treatment of the matter in *Quality King* and *Costco*, and three separate views from the three circuit courts that have weighed in on the question presented, the current state of affairs is far from the uniformity promoted by the Framers. Without reliable means to predict how other courts will come out—and whether the divergent interpretations will one day be reconciled—neither copyright owners nor purchasers of foreign-made

copies of copyrighted works can confidently invest in future endeavors without fear that their expectations will be disrupted. Consequently, intervention by this Court is urgently needed to bring stability to this area of law.

The need for this Court's guidance is especially strong here because, based on the historical difficulty of reaching consensus on the question presented, it is highly unlikely that the circuit courts will succeed in stabilizing the law on their own. In addition to splitting this Court, the task of reconciling the first sale doctrine, as codified in 17 U.S.C. § 109(a), with the importation prohibition of Section 602(a), has yielded divergent opinions with conflicting reasoning from three circuit courts.

In this case, the Second Circuit held that the first sale doctrine never applies to copies manufactured outside the United States. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 221-22 (2d Cir. 2011). In *Omega S.A. v. Costco Wholesale Corp.*, the Ninth Circuit held that the first sale doctrine does not apply to foreign-made copies, but stated in dictum that it would apply after an authorized sale had been made in the United States. 541 F.3d 982, 987 (9th Cir. 2008). In *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) LTD*, the Third Circuit held that the copyright owner's U.S. sales barred an action against unauthorized re-importation, but expressed in dictum its "uneasiness" with a construction of § 109(a) that turns on the place of manufacture. 847 F.2d 1093, 1098 n.1 (3d Cir. 1988). It added that "[w]hen Congress considered the place of manufacture to be

important," the "statutory language clearly expresses that concern." *Id.*

Indeed, both the majority and dissenting opinions of the Second Circuit panel in this case freely confess that the question presented is difficult to resolve. *See Kirtsaeng*, 654 F.3d at 219 (stating that "arriving at a satisfactory textual interpretation of the" phrase "lawfully made under this title" is "complicated"); *id.* at 220 ("The relevant text is simply unclear."); *id.* at 222 ("We freely acknowledge that this is a particularly difficult question of statutory construction in light of the ambiguous language of § 109(a) . . . ."); *id.* at 228-29 (Murtha, J., dissenting) (agreeing "with the majority that it is a 'close call' "). In all likelihood, additional district court and circuit opinions will only compound the uncertainty surrounding this issue. Consequently, intervention by this Court is the most immediate means to bring clarity to this important question. In this unusual situation, further "percolation" would be unproductive.

The consequences of allowing the current state of uncertainty to persist, moreover, are even greater now than they were when this Court granted certiorari in *Costco*. Whereas the Ninth Circuit suggested that an authorized sale of a foreign-made copy in the United States triggers the first sale doctrine—thereby terminating the copyright owner's rights in that copy—the Second Circuit expressly declined to adopt that approach. Instead, it held that copies made abroad are *never* subject to the first sale doctrine. As noted, there are now multiple, competing and divergent rules that apply, depending in where a case is brought.

With the potential for significant statutory damages and injunctive relief upon a finding of infringement, uncertainty about the applicability of the first sale defense is of substantial consequence to all creators and users of copyrighted works. *See* 17 U.S.C. §§ 504(c)(1) (statutory damages available); 504(c)(2) (elevated damages available upon a showing of willfulness); 502 (injunctive relief available). Though AIPLA takes no position at this stage of the proceeding on who should prevail, the fact that there are multiple divergent rules – and high stakes – underscores the wide-ranging and destabilizing effects of the unpredictability in this area of law, and demonstrates the pressing need for intervention by this Court.

CONCLUSION

For these reasons, AIPLA respectfully requests that this Court grant certiorari to clarify the scope of the first sale doctrine as it applies to copies made in a foreign country, as the resolution of this issue is of substantial importance to owners as well as purchasers of copies of copyrighted works.

January 6, 2012

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AMICUS CURIAE BRIEF

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSAENG
d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Petition For A Writ Of Certiorari
To The United States Court of Appeals
For The Second Circuit

BRIEF OF eBAY INC., NETCOALITION, THE COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION, THE INTERNET COMMERCE COALITION, TECHNET, NETCHOICE, AND TECHAMERICA AS AMICI CURIAE IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

This case presents the issue that recently divided this Court, 4-4, in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). Under § 602(a)(1) of the Copyright Act, it is impermissible to import a work "without the authority of the owner" of the copyright. But the first-sale doctrine, codified at § 109(a), allows the owner of a copy "lawfully made under this title" to sell or otherwise dispose of the copy without the copyright owner's permission.

The question presented is how these provisions apply to a copy that was made and legally acquired abroad and then imported into the United States. Can such a foreign-made product never be resold within the United States without the copyright owner's permission, as the Second Circuit held in this case? Can such a foreign-made product sometimes be resold within the United States without permission, but only after the owner approves an earlier sale in this country, as the Ninth Circuit held in *Costco*? Or can such a product always be resold without permission within the United States, so long as the copyright owner authorized the first sale abroad, as the Third Circuit has indicated?

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INTEREST OF THE AMICI[1]

eBay, Inc. operates the world's largest online marketplace. Founded in 1995, eBay created an online market to bring together buyers and sellers to trade in local, national, and global markets. eBay serves individual buyers and sellers, as well as businesses ranging in size from part-time proprietorships to household brand names. eBay's online platform permits secondary marketplace trade in a wide range of goods. Accordingly, eBay has an interest in ensuring the alienability of authentic goods in the secondary market.

NetCoalition serves as the public policy voice for some of the world's most innovative Internet companies on the key legislative and administrative proposals affecting the online world. NetCoalition provides legal and policy solutions to critical legal and technological issues facing Internet companies, the courts, and policymakers. It helps insure the integrity, usefulness, and continued expansion of this dynamic new medium. Its members include Amazon.com, Bloomberg LP, eBay, Google, IAC, Yahoo! and Wikipedia.

The Computer & Communications Industry Association (CCIA) is a non-profit trade association

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[1] Pursuant to Supreme Court Rule 37.6, counsel for the amici curiae represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the amici, their members, or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented to the filing of this brief, and letters reflecting their consent have been filed with the Clerk.

that for 40 years has been dedicated to "open markets, open systems and open networks." CCIA members participate in many sectors of the computer, information technology and telecommunications industries and range in size from small entrepreneurial firms to the largest in the industry. CCIA members employ more than 600,000 workers and generate annual revenues in excess of $200 billion.

The Internet Commerce Coalition (ICC) is a coalition of leading U.S. Internet Service Providers (ISPs), e-commerce companies, and technology trade associations. The ICC's mission is to achieve a legal environment that allows service providers, ecommerce companies, their customers, and other users to do business on the global Internet under reasonable rules governing liability and use of technology.

Technology Network (TechNet) is a network of Chief Executive Officers and senior partners of some 100 companies in the information technology, biotechnology, venture capital, clean energy and e-commerce industries. The association is organized to promote the growth of the technology industry and to advance America's global leadership in innovation by building long-term relationships among technology leaders and policy makers. The majority of TechNet's members lead companies capitalized through publicly traded shares on the Nation's major stock exchanges. TechNet's members represent the leading edge of developing, manufacturing, and marketing emerging technologies.

NetChoice is a coalition of businesses, individuals, and trade associations who seek to promote con-

venience, choice, and commerce on the Internet. Its members range from some of the most prominent online businesses in the world to individual users of e-commerce services, and include eBay and other companies whose online platforms bring together buyers and sellers from around the globe. NetChoice has an interest in expanding the range of goods that can be sold safely and legally on secondary markets, particularly where the Internet enables these markets to reach across national borders.

TechAmerica represents approximately 1,000 member companies of all sizes from the public and commercial sectors of the economy and is the technology industry's largest advocacy organization. Its members include suppliers of broadband networks and equipment, consumer electronics companies, software and application providers, Internet and e-commerce companies, and Internet service providers, among others, many of which are involved in ensuring a robust e-commerce marketplace.

SUMMARY OF THE ARGUMENT

The first sale doctrine has long been recognized as a defense to copyright infringement, striking a balance between the property rights of consumers and the promotion of progress in the sciences and useful arts by ensuring that copyright owners are compensated for the initial sale of the copyrighted good. As this Court held over a century ago, "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

Section 109(a) of the Copyright Act codifies the first sale doctrine, providing that "the owner of a particular copy . . . lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a). In *Quality King Distrib. v. L'anza Research Int'l*, 523 U.S. 135, 138, 154 (1998), this Court confirmed that the first sale doctrine is not limited by place of first sale and held that the first sale doctrine endorsed in § 109(a) may be applied to imported copies.

The Second Circuit nevertheless held below that the first sale doctrine applies "only to copies manufactured domestically." *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 221 (2d Cir. 2011). In so holding, the Second Circuit imposed a place of manufacturing requirement on the first sale doctrine that lacks support in the text, structure, history or pur-

poses of the Copyright Act. The Second Circuit's rule also dangerously expands beyond the Ninth Circuit's requirement, as considered by this Court in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). In stark tension with the policy against restraints on alienation, the Second Circuit's rule affords copyright owners the ability to control the downstream sales of goods for which they have already been paid. The Second Circuit's rule not only is inconsistent with the terms, structure, history and purpose of the copyright act, but it also allows for significant adverse consequences for trade, e-commerce, secondary markets, small businesses, consumers, and jobs in the United States. Accordingly, this Court should grant the petition for certiorari.

ARGUMENT

I. THE SECOND CIRCUIT'S EXTREME CONCLUSION THAT A FOREIGN-MADE PRODUCT MAY NEVER BE RESOLD IN THE UNITED STATES WARRANTS REVIEW

When the Ninth Circuit concluded that the Copyright Act's first sale doctrine, 17 U.S.C. § 109(a), includes a place of manufacturing requirement, this Court determined the Ninth Circuit's holding warranted review. However, this Court split evenly, and affirmed the Ninth Circuit without discussion of the relevant rule. *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

Now, with its opinion in *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), the Second Circuit has presented this Court a critical new opportunity to resolve the uncertainty surrounding the first sale doctrine. Whereas the Ninth Circuit held

that a first sale in the United States would terminate a copyright owner's rights, the Second Circuit has held that the first sale doctrine applies "only to copies manufactured domestically." *Id.* at 221. The Second Circuit's holding thus implies that a foreign-manufactured copy will never be subject to the first-sale doctrine — even if that copy is imported into the United States and sold here with the copyright owner's permission. The Ninth Circuit's place of manufacturing rule portended significant negative policy consequences. *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008). The Second Circuit's even more extreme rule, which strips away downstream resale rights, necessitates this Court's review.

II. A PLACE OF MANUFACTURING REQUIREMENT IS INCONSISTENT WITH THE TERMS, STRUCTURE, HISTORY, AND PURPOSES OF THE COPYRIGHT ACT

This Court's guidance is required to rectify the Second Circuit's conclusion that the first sale doctrine embodied in section 109(a) of the Copyright Act includes a place of manufacturing requirement that limits the first sale doctrine's application to goods manufactured in the United States. *John Wiley & Sons, Inc.*, 654 F.3d at 222. Section 109(a) provides in pertinent part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. § 109(a).

The Second Circuit reasoned that Congress's reference to copies "lawfully made under this title" can only be read to mean those copies "that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." *John Wiley & Sons, Inc.*, 654 F.3d at 222. But that reasoning is fundamentally flawed and would inject both significant textual anomalies and absurd consequences into the Act that Congress could not possibly have intended. This Court should grant the petition for certiorari and clarify the law as to Section 109(a) to resolve the division in the federal courts and prevent the drastic policy consequences that will result from the Second Circuit's rule.

A. "Lawfully Made Under This Title" Means Made According To Or In Conformance With The Copyright Act, Not Made In The United States

The Second Circuit's opinion calls out for this Court's review. The Second Circuit has unduly confined Section 109(a) by assigning the language "lawfully made under this title" the restrictive interpretation made in the United States. But that interpretation of the language cannot be correct.

The phrase "lawfully made under this title" is not expressly defined in the Copyright Act. Both by common usage and context, its most natural meaning is made according to, or in conformance with, the Copyright Act. *See* WEBSTER'S THIRD INT'L DICTIONARY 2487 (2002) (defining "under" as "in accordance with"). As the United States explained in its amicus brief in the *Quality King* case, "[t]he correct and more natural reading of the phrase 'lawfully made under this title' refers simply to any copy made with

the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17." Br. of United States as *Amicus Curiae*, filed in *Quality King*, at 30 n.18 (No. 96-1470).

In other words, copies are subject to the first sale doctrine if they were made consistent with the terms of the Copyright Act, which includes copies made by or with the consent of the United States copyright holder or otherwise authorized by the Act.

B. The Copyright Act Is Structured Without Regard To Place Of Manufacturing

Reading Section 109(a) unlimited by place of manufacturing best accords with other provisions of the Copyright Act. As this Court has long recognized, "[s]tatutory construction . . . is a holistic endeavor." *United Sav. Ass'n of Texas v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371 (1988) (internal citations omitted).

Section 106 of the Copyright Act, which defines the rights afforded a copyright holder under United States law without regard to the place of manufacturing, counsels strongly against importing a place of manufacturing requirement into the first sale doctrine of Section 109(a). Section 106 provides in pertinent part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted works in copies or phonorecords; . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or

> other transfer of ownership, or by rental, lease, or lending . . . .

17 U.S.C. § 106(1) & (3). Reading section 109(a) with section 106, "made under this title" means made in conformance with the Copyright Act.

Tellingly, Congress has used the exact phrase "lawfully made under this title" in two additional provisions of Title 17. Only a straightforward reading of the phrase, unrestricted by place of manufacturing, permits a consistent, coherent construction of the title.

The Audio Home Recording Act ("AHRA") provides that royalty payments "shall . . . be distributed" to certain "interested copyright part[ies]," including, *inter alia*, "the owner of the exclusive rights under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a digital musical recording or analog musical recording *lawfully made under this title* that has been *distributed*." 17 U.S.C. § 1001(7) (emphasis added). The term "distribute" is limited specifically to distribution "in the United States." 17 U.S.C. § 1001(6). Thus, Congress used the concept of "in the United States" and "lawfully made under this title" distinctly — and did so in the same sentence. Additionally, if the phrase "lawfully made under this title" were given the Second Circuit's meaning, royalties would never be distributed for recordings manufactured abroad.

Similarly, Section 110 provides that the "performance or display" of a copy for educational use is not an infringement of copyright unless the copy "was not lawfully made under this title." 17 U.S.C. § 110(1). The only logical interpretation of this provision is that Congress intended to dissuade teachers

from displaying infringing works or works otherwise not made in accordance with the Copyright Act. *See* H.R. Rep. No. 94-1476 (stating that the exception to the exemption for copies "not lawfully made under this title" "deals with the special problem of performances from *unlawfully-made copies*") (emphasis added). Congress could not have intended to limit social studies, music and art teachers' curricula only to works created in the United States. Surely teachers are not responsible for determining where works were created in order to prepare their courses. Congress could not have intended to expose our nation's teachers to liability for copyright infringement for introducing their students to genuine copyrighted works for artistic and educational purposes simply because works selected by the teacher were manufactured abroad.

Moreover, Congress was quite willing to structure protection under United States copyright law in explicit geographic terms. The Copyright Act devotes an entire section to "National Origin," discussing the nationality of authors, among other geographic considerations. 17 U.S.C. § 104. In section 104, the Copyright Act affords protection in expressly geographic terms by providing that a work may be "subject to protection under [Title 17]" based on the place of the work's first publication. However, section 104 does not provide for protection on the basis of place of manufacturing, nor does the section limit its protections on that ground. The absence of any reference to place of manufacturing in Congress's focused consideration of the relevance of the origin of a work weighs against reading a place of manufacturing limitation into the law.

As these other provisions of the Copyright Act make clear, the first sale doctrine of Section 109(a) is

applicable to goods embodying copyrighted works that are imported into and sold in the United States, regardless of their place of manufacture. As this Court concluded in *Quality King*, neither section 109(a) nor earlier codifications of the first sale doctrine were intended by Congress to "limit [the first sale doctrine's] broad scope." *Quality King*, 523 U.S. at 152. This Court should grant the petition for certiorari and prevent the Second Circuit from reading such a place of manufacturing requirement into section 109(a).

C. At The Time Congress Adopted Section 109(a) It Removed A Longstanding Place Of Manufacturing Provision From The Copyright Act

The petition for certiorari warrants this Court's review because the Second Circuit's interpretation of Section 109(a) is at odds with evident congressional intent. Had Congress intended to limit application of the first sale doctrine to copies made "within the United States," Congress would have said so. Indeed, at the same time it adopted Section 109(a), Congress began phasing out a longstanding place of manufacturing requirement from the Copyright Act.

Section 601(a) of the Act, the so-called "manufacturing clause," provided: "Prior to July 1, 1986,[2] . . . the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited *unless the portions consisting of such material have been manufactured in the United*

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[2] See Public Law 97-215, 96 Stat. 178 (1982) (substituting "1986" or "1982").

States or Canada." 17 U.S.C. § 601(a) (emphasis added). Thus, not only was Congress generally capable of specifying the relevance of an activity's occurrence "in the United States," Congress expressly specified the relevance of manufacturing in the United States in the Copyright Act. *See Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988) ("When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern.").

In stark contrast, Congress did not include such a place of manufacturing requirement in section 109(a). When Congress includes language in one section of an Act and excludes that language from another, "Congress' silence" in the latter section "speaks volumes." *United States v. Shabani*, 513 U.S. 10, 14 (1994).

Moreover, Congress's handling of Section 601(a)'s express manufacturing requirement demonstrates the absurdity of the Second Circuit's construction of Section 109(a). That express manufacturing requirement *protected* U.S. publishers from foreign competition. It first "came into the copyright law as a compromise in 1891." H.R. Rep. No. 94-1476. As codified in the 1909 Act, the "manufacturing clause" required "[t]hat in the case of the book the copies so deposited shall be accompanied by an affidavit . . . duly made by the person claiming copyright . . . setting forth that the copies deposited have been printed from type set within the limits of the United States or from plates made within the limits of the United States from type set therein . . . ." Act of Mar. 4, 1909 § 16, 35 Stat. 1080-1081 (1909). This place of manufacturing requirement was intended to

protect "American typographers and bookbinders against foreign competition." 2 NIMMER ON COPYRIGHT § 7.22.

However, "the manufacturing clause exemplifie[d] short-sighted and parochial tendencies that [proved] destructive of the best interests of both copyright creators and users." *Id.* Accordingly, in the 1976 Copyright Act, Congress chose to phase out the place of manufacturing requirement. *See* 17 U.S.C. § 601 (stating that the manufacturing clause would remain in effect until July 1, 1986).

The legislative history of the Copyright Act demonstrates that Congress carefully considered place of manufacturing requirements and found such requirements wanting. Congress concluded that "[t]he manufacturing clause *violates the basic principle that an author's rights should not be dependent on the circumstances of manufacture.*" H.R. Rep. No. 94-1476 (emphasis added). Congress was concerned that authors were held "hostage" by the manufacturing requirement, which "unfairly discriminate[d] between American authors and other authors." *Id.* Additionally, Congress emphasized the need to "eliminate the tangle of procedural requirements . . . burdening . . . the United States Customs Service." *Id.*; *see also* Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 877 (1987) ("The Copyright Office, the Justice Department, the State Department, and the Commerce Department all opposed the manufacturing clause.").

Congress concluded that "there is no justification on principle for a manufacturing requirement in the copyright statute, and although there may have been some economic justification for it at one time, that

justification no longer exists." H.R. Rep. 94-1476. That is not to say that Congress considered the economic concerns of the U.S. printing industry irrelevant. Quite the opposite. Because Congress "recognize[d] that immediate repeal of the manufacturing requirement might have damaging effects in some segment of the U.S. printing industry," Congress chose to phase out the manufacturing requirement through the use of a sunset provision. *Id.*

The abrogation of the manufacturing clause makes clear that Congress in 1976 intended to remove place of manufacture as a relevant factor in the determination of whether the distribution of goods embodying copyrighted works within the United States violates the Copyright Act. It defies reason that Congress would at the same time, in the same Act, insert by mere implication and without comment a "reverse manufacturing clause" that greatly re-tilts the playing field, this time to the benefit of *foreign* publishers and manufacturers at the expense of their domestic counterparts, by creating a strong incentive to manufacture copies abroad. Rather, by phasing out the pro-domestic publishing manufacturing clause, Congress meant to eliminate the discriminatory impact that previously flowed from copyright's focus on place of manufacture.

"Few principles of statutory construction are more compelling than the proposition that Congress does not intend *sub silentio* to enact statutory language that it has earlier discarded." *INS v. Cardoza-Fonseca*, 480 U.S. 421, 442-43 (1987). It is therefore incongruous, to say the least, for the Second Circuit to impose a place of manufacturing limitation on Section 109, when, at the time Congress drafted and enacted Section 109, it simultaneously excised a longstanding place of manufacturing re-

quirement from our copyright law. Thus, this Court should grant the petition for certiorari to clarify that no such place of manufacturing requirement operates to limit the first sale doctrine.

III. EXEMPTING GOODS MANUFACTURED ABROAD FROM THE FIRST SALE DOCTRINE WOULD BE DETRIMENTAL TO THE UNITED STATES ECONOMY

Reading section 109(a) to impose a place of manufacturing requirement on the first sale doctrine would negatively impact commerce in the United States. A place of manufacturing requirement will create incentives for off-shore manufacturing, stifle secondary markets, stifle e-commerce, and harm small businesses, further depressing the job market in the United States. Copyright protection is enshrined in our Constitution "[t]o promote the progress of science and useful arts," not to permit manufacturers to price discriminate and manipulate markets to the detriment of consumers. U.S. CONST. art. 1 § 8. These public policy concerns weigh strongly in favor of this Court's review of the Second Circuit's reading of section 109(a).

A. Imposing A Place Of Manufacturing Requirement On The First Sale Doctrine Infringes Consumers' Rights to Redistribute Goods

Producers of consumer goods have "waged a full-scale battle in legislative, executive, and administrative fora" for regulations that would grant them power to control the downstream importation of secondary market goods into the United States. *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 295-96 (1988) (Brennan, J., concurring in part and dissenting in part). "Having lost in other fields of law, manufac-

Imposition of such a substantial and unmanageable burden is likely to stifle commerce in the secondary market. This burden would translate into higher costs for consumers, increased unemployment, and risk for small businesses. Such a result in the current difficult economic environment would be particularly troubling. *See, e.g.*, U.S. Dept. of Labor, Bureau of Labor Statistics, News Release (Dec. 2, 2011) (stating that the unemployment rate was "8.6 percent in November"), *available at* http://www.bls.gov/news.release/pdf/empsit.pdf.

The Second Circuit's rule also could stifle commerce in the international secondary markets. Such a result would significantly impact the economy. The volume of commerce in the international secondary markets is substantial. In 2010 alone, the United States imported $6,401,858,000 of used or secondhand goods.[3] U.S. Census Bureau, U.S. Int'l Trade Statistics, Value of Exports, General Imports, and Imports by Country by 3-digit NAICS, *available at* http://censtats.census.gov/cgi-bin/naic3_6/naicMonth.pl. By October 2011, the United States had already imported an additional $5,637,301,000 worth of used or second-hand goods. *Id.* This market is of significant value to our economy and should be allowed to thrive. By granting the petition for certiorari, this Court will take a significant step toward protecting this valuable market.

C. The Second Circuit's Rule Will Stifle e-Commerce

E-commerce companies are exemplars of American innovation and ingenuity and make significant

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[3] This statistic represents the customs value basis for general imports.

turers are now realizing that copyright may furnish a supplemental vehicle for protection." 2 NIMMER ON COPYRIGHT § 8.11[B][4] (2009). As a result, copyright owners who have already been compensated for these goods are now attempting to use copyright law to hamper the ability of consumers and resellers to re-distribute goods and comparison shop from different vendors.

The Second Circuit's opinion will encourage producers to use copyright to control downstream sales of goods in the United States. In so doing, the Second Circuit permits companies to use copyright law like a "weapon against gray market goods." Donna K. Hintz, *Battling Gray Market Goods with Copyright Law*, 57 ALB. L. REV. 1187, 1191 (1994). Reducing consumer rights in this dramatic way is inconsistent with the purposes of copyright law. Thus, the Second Circuit's rule warrants this Court's review.

B. The Second Circuit's Rule Will Stifle Secondary Markets

Exempting foreign consumer goods from the first sale doctrine could unsustainably burden secondary markets. "The essential trade in the Copyright Act is monopoly and policing: the grant of exclusivity comes with the duty to protect it. The Act does not grant the holder the windfall of both monopoly and reimbursement for its maintenance." *Sony Discos Inc. v. E.J.C. Family P'ship*, No. 4:02-cv-03729, 2010 WL 1270342, at *5 (S.D. Tex. Mar. 31, 2010). It is impossible for secondary market participants to identify each alleged copyrighted work and make a determination regarding its legal status. Moreover, secondary market participants lack means to determine where the goods were manufactured.

contributions to the United States' economy and job market. The Second Circuit's rule substantially threatens the increasingly important e-commerce sector of the economy, particularly secondary market e-commerce. International e-commerce is growing rapidly. In the third quarter of 2011, there were approximately $48.2 billion in retail e-commerce sales in the United States. U.S. Census Bureau, News, Quarterly Retail E-Commerce Sales 3rd Quarter 2011 (Nov. 17, 2011), *available at* http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf. These third quarter sales represent a 13.7 percent increase from the third quarter of 2010, while total retail sales increased only 8.2 percent in the same period. *Id.* E-commerce also "benefit[s] consumers by helping them enjoy lower prices and more choices." Yannis Bakos, *The Emerging Landscape for Retail E-commerce*, 15 J. ECON. PERSPECTIVES 69, 78-79 (2001). No misinterpretation of copyright law should be allowed to hinder the growth of this market. This Court's grant of the petition for certiorari would be a significant step in the right direction.

D. The Second Circuit's Rule Will Harm Small Businesses

Likewise, small businesses would be particularly burdened by increased transaction costs. As the Ninth Circuit has recognized, without the first sale doctrine, "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir.

1996). Imposing a place of manufacturing requirement on section 109(a) may well impose unsustainable costs on small businesses, which may translate into the loss of additional jobs. Small businesses that have weathered the economic downturn should not now be subjected to such risk.

E. The Second Circuit's Rule Will Further Depress The Job Market In The United States

If section 109(a) is interpreted to exempt foreign consumer goods from the first sale doctrine, goods stamped with copyrighted material and manufactured overseas will be afforded greater protection under the Copyright Act than goods manufactured domestically. This Court should not permit the Second Circuit's graft of a place of manufacturing requirement onto section 109(a) to stand without review because such a requirement creates incentives for off-shore manufacturing, striking yet another blow to the American worker.

When repealing the manufacturing requirement, Congress was sensitive to creating incentives for overseas manufacturing and creating a trade imbalance. Congress concluded that, "although there may have been some economic justification [for the manufacturing requirement] at some time, that justification no longer exists." H.R. Rep. 94-1476. Far from concluding that the economic consequences of its rule were irrelevant, Congress simply concluded that the economic justification no longer existed in the context of book publishing. Given Congress's sensitivity to trade imbalances and economic concerns, Congress could not have intended an interpretation of section 109(a) that would exacerbate trade imbalances and motivate overseas manufacturing.

"The loss of well-paying manufacturing jobs has harmed the U.S. economy. Declines in manufacturing employment reduce over-all consumer demand in the United States and limit the economy's potential for expansion." Thomas A. Piraino, Jr., *A Proposed Antitrust Approach to Buyers' Competitive Conduct*, 56 HASTINGS L.J. 1121, 1123-24 n.10 (2005) (citations omitted). Manufacturing employment in the United States is under stress and has "changed little over the month [of November 2011] and has remained essentially unchanged since July." U.S. Dept. of Labor, Bureau of Labor Statistics, Econ. News Release, *Employment Situation Summary*, (Dec. 2, 2011), *available at* http://www.bls.gov/news.release/empsit.nr0.htm. The manufacturing sector should not be hindered by a strained interpretation of section 109(a) that motivates additional offshore manufacturing.

The imposition of a place of manufacturing requirement on section 109(a) would also likely lead to job losses in the secondary market. As increased transaction costs may curtail trade, importers and resellers may face a diminishing market and concomitant job loss.

The United States already faces an overall trade deficit in goods and services. In October 2011, the United States trade deficit for goods and services was $43.5 billion. U.S. Census Bureau, U.S. Bureau of Econ. Analysis News, *U.S. Int'l Trade in Goods and Services October 2011* (Dec. 9, 2011), *available at* http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm. The United States' trade deficit for goods was $58.8 billion. *Id.* If this Court declines to review the Second Circuit's interpretation of section 109(a), which will afford greater protections to foreign goods, an even greater per-

centage of such goods will likely be produced overseas.

F. The United States Agrees That A Place Of Manufacturing Requirement Will Have "Adverse Policy Consequences"

The United States agrees that "the court of appeals' reasoning could result in adverse policy consequences, particularly if carried to its logical extreme." United States Br. on Pet. for Certiorari, filed in *Costco Wholesale Corp. v. Omega*, 131 S. Ct. 565 (2010), at 5. The United States recognizes that "[t]he potential implications of excluding foreign-made copies of a copyrighted work from Section 109(a)'s coverage are indeed troubling." *Id.* at 18. In fact, the United States identified "higher unemployment," "encourag[ing] companies to move manufacturing overseas," and the hesitation of downstream retailers "to sell a variety of products for fear that the sale could be deemed infringing" as "legitimate concerns." *Id.* at 17-18.

Yet, in its amicus brief on petition for certiorari in *Costco*, the United States argued that this Court should not concern itself with these "legitimate concerns" because "some of the potential adverse policy effects . . . are a direct . . . consequence of Congress's decision in 1976 to expand Section 602's ban on unauthorized importation beyond piratical copies [which] segment[ed] domestic and foreign markets." *Id.* at 18. This argument missed the mark. That Congress allowed for the segmentation of domestic and foreign markets to some degree is hardly evidence that Congress intended the exacerbated market segmentation that would follow from exempting foreign manufactured items from the first sale doctrine.

"The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King*, 523 U.S. at 152. The Second Circuit's interpretation of the first sale doctrine, which discriminates between domestic and foreign copies, warrants this Court's review. Regardless of the place of manufacturing, once a copyright owner had sold his property, he has exhausted his exclusive statutory right to control its distribution. The Second Circuit's holding is to the contrary, does not conform with the copyright act, and will precipitate a host of adverse policy results.

CONCLUSION

For the foregoing reasons, the Court should grant the petition for a writ of certiorari and reverse the judgment of the United States Court of Appeals for the Second Circuit.

Respectfully submitted.

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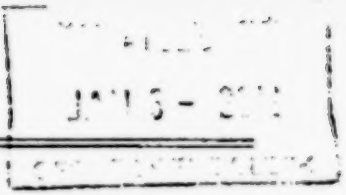
AMICUS CURIAE BRIEF

No. 11-697



In The
Supreme Court of the United States

SUPAP KIRTSAENG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF OF *AMICI CURIAE* PUBLIC KNOWLEDGE, ELECTRONIC FRONTIER FOUNDATION, AND U.S. PUBLIC INTEREST RESEARCH GROUP IN SUPPORT OF PETITIONER

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INTEREST OF THE *AMICI CURIAE*

Public Knowledge, the Electronic Frontier Foundation, and U.S. PIRG respectfully submit this brief to urge the Court to grant Kirtsaeng's petition for writ of certiorari.[1] Public Knowledge is a nonprofit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in copyright and other intellectual property cases that threaten consumers, trade, and innovation.

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization working to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 13,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest.

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[1] No counsel for a party authored this brief in whole or in part, nor made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, or their counsel, made a monetary contribution to its preparation or submission. Petitioner has consented to the filing of this brief and has filed a letter with the Court granting blanket consent. Respondent has granted written consent to the filing of this brief. Parties have been given at least ten days notice of *amici*'s intention to file this brief.

U.S. PIRG, the federation of state Public Interest Research Groups, is a national, nonprofit, non-partisan consumer advocacy organization that stands up to powerful special interests on behalf of the American public. U.S. PIRG has long worked to promote the public interest on issues of consumer protection and affordable higher education, and believes an expansive interpretation of the first sale doctrine is in the best interest of students and consumers.

SUMMARY OF ARGUMENT

This case presents a circuit split on a crucial issue that will only grow in significance as new technologies continue to facilitate the global distribution of goods. The Second Circuit has held that foreign-manufactured goods that contain copies of copyright-protected works – from textbooks to hair care products with copyrighted labels – are immune from the limitations of the first sale doctrine of Section 109(a) of the Copyright Act. Under this interpretation, those goods can never be resold, lent, or given away without the permission of the copyright owner, even if that copyright owner sold the product within the United States.

The Second Circuit's interpretation not only erroneously precludes Section 109(a) from applying to copies manufactured outside of the United States, it deepens the circuit split on this issue by explicitly rejecting the Ninth Circuit's exception for

foreign-manufactured copies sold with the copyright owner's permission within the United States. If the Court interprets the importation right of Section 602(a)(1) to be subject to the first sale doctrine of Section 109(a), it can resolve the circuit split while avoiding absurd results in secondary markets and redistribution channels.

ARGUMENT

The Court should grant the writ of certiorari because the decision below is erroneous and, if left undisturbed, threatens significant harm to consumers and businesses engaged in legitimate commerce involving goods manufactured abroad.

I. The Second Circuit's Interpretation of 17 U.S.C. § 109 Extends and Deepens the Existing Circuit Split Regarding the Relationship Between Sections 109 and 602.

Three circuit courts have now considered the intersection between Sections 109(a) and 602(a) of the Copyright Act. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011); *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008); *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988). As petitioner notes (Pet. 5-10), each one has come to a different conclusion, resulting in a clear circuit split.

The decision that is the subject of this petition, however, is particularly troubling, as it adopts the most extreme interpretation of Sections 109(a) and 602(a) thus far, concluding that every resale of a foreign-manufactured copy requires the copyright owner's permission, no matter how many times the copy has changed hands since the copyright owner first distributed that copy. In so doing, the Second Circuit rejected not only the Third Circuit's interpretation, but also the Ninth Circuit's exception for works distributed in the United States with the copyright owner's permission.

A. In the Decision Below, the Second Circuit Adopted the Most Severe Interpretation of Sections 109(a) and 602(a) Thus Far.

The decision below sets forth the most recent and most extreme interpretation of Sections 109 and 602 of the Copyright Act. *See* 17 U.S.C. §§ 109, 602 (2006). In *John Wiley & Sons, Inc. v. Kirtsaeng*, the United States Court of Appeals for the Second Circuit held that Section 109 never applies to copies manufactured outside of the United States. 654 F.3d 210, 224 (2d Cir. 2011). The court reasoned that the phrase "lawfully made under this title" means "lawfully made within the United States," rather than "made according to the laws of title 17." The court, however, had significant difficulty determining how best to interpret Section 109(a), declining to rely upon the literal meaning of the text because the court concluded the

text is "simply unclear." *Id.* at 219-20 (citing WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1356 (1976) and *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010)).

Instead, the court based its interpretation upon the effects that interpretation would have on another section of the Copyright Act. The court observed that "the mandate of § 602(a)(1) . . . would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad," and this theoretical result "militates in favor of" restricting Section 109(a) to domestically-manufactured works. *Id.* at 221. However, the court reached this conclusion without analyzing either the congressional intent behind Section 602(a) or empirical evidence regarding the number of importation lawsuits that would actually be affected. The court admitted that its decision covered "a particularly difficult question of statutory construction," made "[w]ithout further guidance from the Supreme Court" after *Omega S.A. v. Costco Wholesale Corp.*, and that the court's decision might lead to consequences "that were not foreseen by Congress." *Id.* at 218, 222.

The Second Circuit's approach is distinct from the Ninth Circuit's, which created an exception for foreign-manufactured goods sold domestically with the copyright owner's permission. *See infra* Section I.B. The Court of Appeals for the Third Circuit has taken yet another view, expressing "uneasiness" with the conclusion that Section 109(a) only limits the distribution right of domestically-made copies. *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098

n.1 (3d Cir. 1988). As the *Sebastian Int'l* court noted: "When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern." *Id.* Unlike the Ninth Circuit, the Third Circuit also ruled that "the place of sale is not the critical factor in determining whether section 602(a) governs." *Id.* at 1099. Three federal courts of appeals have weighed in on this question and each has arrived at a different answer, making this Court's guidance particularly useful for courts, copyright owners, and distributors alike.

B. The Second Circuit Has Rejected the Ninth Circuit's Exception for Foreign-Manufactured Goods Sold in the United States with the Copyright Owner's Permission.

In the decision below, the Second Circuit specifically rejected the Ninth Circuit's rule that Section 109(a) applies to foreign-manufactured goods sold in the United States with the permission of the copyright owner. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 221; *contra Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 986. Although the Ninth Circuit acknowledged that Section 109(a) generally limits Sections 106(3) and 602(a), *see Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 985, the court decided that copyright law required a "more robust" presumption against extraterritoriality than other areas of law, and therefore concluded that the Copyright Act

must be interpreted to presumptively not touch any conduct occurring abroad, even when the conduct has harmful effects within the United States. *Id.* at 988. In contrast, the Second Circuit found the presumption against extraterritorial application more complicated, particularly considering that Section 104 explicitly contemplates copyright protection for works published in certain foreign countries, and consequently did not apply a more robust presumption. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 219-20 (citing 17 U.S.C. § 104(b)(2) (2006)).

The Ninth Circuit also concluded that this interpretation of the first sale and importation provisions would have "untenable" policy consequences, and so created an exception for foreign-manufactured goods that have been sold within the United States with the copyright owner's permission, even though this exception lacks any apparent foundation in the text or legislative history of the statute. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 986. The Second Circuit noted that the Ninth Circuit's exception has not been followed by other circuits, and declined to adopt the Ninth Circuit's interpretation. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 221. This conflict between the two circuits throws many secondary markets across the country into legal uncertainty.

II. The Second Circuit's Erroneous Interpretation of Section 109(a) Will Impair Trade, Innovation, and the Free Market for Copies of Copyright-Protected Goods.

The decision below, if left undisturbed, poses enormous potential consequences for secondary markets and consumers. Contrary to the established principle that statutes should be interpreted to avoid absurd results, the Second Circuit's interpretation gives copyright owners the right to indefinitely control all redistribution of copies of works manufactured abroad. This erroneous reading imposes a variety of harms on consumers and retailers alike.

A. Sections 109 and 602 Should Be Interpreted to Avoid Manifestly Absurd Results.

The Second and Ninth Circuit's interpretations of Section 109(a) both lead to manifestly absurd results. Courts have long recognized the principle that a statute's language should be interpreted to avoid absurd results. *See, e.g., United States v. Wilson*, 503 U.S. 329, 334 (1992). Courts appeal primarily to the words of a statute without forgetting that "statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning." *Pub. Citizen v. United States Dep't of Justice*, 491 U.S. 440, 455 (1989) (quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir.) (Hand, J.), *aff'd*, 326 U.S. 404 (1945)). As a matter of statutory interpretation, the practical ramifications of a

particular reading may suggest to the court whether Congress was likely to have intended that interpretation when it enacted the law. *See Church of the Holy Trinity v. United States*, 143 U.S. 457, 459 (1892) ("[F]requently words of general meaning are used in a statute, words broad enough to include an act in question, and yet a consideration of the whole legislation, or of the circumstances surrounding its enactment, or of the absurd results which follow from giving such broad meaning to the words, makes it unreasonable to believe that the legislator intended to include the particular act.").

The first sale doctrine, codified at 17 U.S.C. § 109, embodies Congress's intent to prevent copyright owners from exercising authority over physical copies after they have exhausted their ownership interest in those copies. *See* H.R. REP. NO. 2222, 60th Cong., 2d Sess. 19 (1909) ("[I]t would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale"). This follows from the well-established principle that ownership of the physical object containing a copyright-protected work is distinct from ownership of the copyright itself. *See* 17 U.S.C. § 202 (2006); *Stevens v. Gladding*, 57 U.S. 447, 452-53 (1855). *See also* H.R. REP. NO. 987, 98th Cong., 2d Sess. 2, *reprinted in* 1984 U.S.C.C.A.N. 2899 ("the first sale doctrine has its roots in the English common law rule against restraints on alienation of property").

As this Court noted in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, "[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope." 523 U.S. 135, 152 (1998). The House Report from Congress's enactment of the current version of the first sale doctrine does not even mention place of manufacture. In fact, the Report states that "Section 109(a) restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy . . . of a work, the person to whom the copy . . . is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. REP. NO. 94-1476 at 79, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693.

The decision below, in particular, interprets Section 109 so narrowly that Section 602 could entirely preclude secondary markets for all works that have been manufactured abroad. This would both interfere with individuals' established rights in their own personal property and impose substantial costs on consumers and businesses that operate in resale markets across many different commercial industries, contrary to the purposes of the Copyright Act and decades of legal interpretation.

B. The Second Circuit's Decision Permits Copyright Owners to Indefinitely Control the Distribution of All Foreign-Manufactured Copies.

Like the Ninth Circuit, the Second Circuit has concluded that the first sale doctrine does not allow buyers to distribute copies if the copies were originally manufactured abroad. Unlike the Ninth Circuit's interpretation, however, the Second Circuit's reading of Sections 109 and 602 permits no exception for foreign-manufactured goods that are sold within the United States with the permission of the copyright holder. As a result, absent the permission of the copyright holder, any distribution of any foreign-manufactured copy could infringe copyright. This result undoes 150 years of common and statutory law establishing that the rightful owner of a physical copy of a work can dispose of that copy as he or she wishes. *See Sebastian Int'l, Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988) ("The first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property.") (citing *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); Richard Colby, *The First Sale Doctrine – The Defense That Never Was?*, 32 J. COPYRIGHT SOC'Y U.S.A. 77, 89 (1984); H.R. REP. NO. 987, 98th Cong., 2d Sess. 2, *reprinted in* 1984 U.S.C.C.A.N. 2899; 2 M. NIMMER, THE LAW OF COPYRIGHT § 8.12 (1987)). Additionally, nearly any goods can have copies of copyrighted works affixed to them or incorporated into the goods'

packaging, making the consequences of the Second Circuit's interpretation difficult to understate. *See, e.g.*, *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (copyright lawsuit over labels affixed to hair care products).

1. New Impediments to the Resale of Lawfully Purchased Goods Harm Consumers and Businesses.

The Second Circuit's interpretation of Sections 109 and 602 is dangerous for both consumers and businesses that operate in resale markets. The court's reading of Section 109 effectively removes a vast swath of copyright-protected goods from the shelter of the first sale doctrine. This precludes secondary markets for many goods entirely and creates substantial uncertainty for many other goods if the owner does not know where every copyrightable component of the product was manufactured. By extending liability for selling, lending, or otherwise disposing of lawfully purchased copies of copyright-protected works, the Second Circuit has exposed to copyright infringement liability actors ranging from homeowners holding a weekend garage sale, to used car dealerships, to companies that provide online platforms for reselling goods.

Of course, the decision below has a particularly direct impact on the market for used textbooks. Students in the United States have suffered from price discrimination by textbook publishers for years, and

only recently have tools like more efficient shipping technology and the Internet enabled students to access lawfully purchased textbooks at more affordable prices. In 2005, the United States Government Accountability Office found that college textbook prices in the United States have risen 186% in the last two decades – more than twice the rate of inflation. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS: ENHANCED OFFERINGS APPEAR TO DRIVE PRICE INCREASES (July 2005), *available at* http://www.gao.gov/assets/250/247332.pdf. In the 2003-2004 school year, the average estimated cost of textbooks for full-time students at four-year public institutions in the United States was $898 per year. *Id.* at 2. Industry representatives and public interest groups have expressed concern that publishers unnecessarily raise textbook prices by revising textbooks frequently, publishing custom textbooks, issuing books in loose-leaf form, and making material available online through the use of a temporary password. *Id.* at 18-21. Publishers maintain these high prices, in part, by taking steps to isolate the United States market, where market conditions allow them to extract higher prices from students, while selling textbooks just above cost to students in other countries. *Id.* at 21-22. If the Second Circuit's decision is reversed, publishers will still be free to engage in the same marketing practices they currently use, but may also face legitimate competition from the books they have sold at lower prices in other parts of the world.

To be clear, however, the potential impact of the decision reaches well beyond redistributions of textbooks, or even classic copyright-protected works like sound recordings, audiovisual works, compositions, paintings, drawings, and sculptures. Today, a wide range of other commercial products also contain copyright-protected computer programs, such as automobiles, microwaves, calculators, mobile phones, tablets, and personal computers. Moreover, the packaging for a product often contains copies of copyright-protected visual art. *See, e.g.*, *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1145 (9th Cir. 1996) (plaintiff's lawsuit based in part on copyright infringement of the packaging for its non-copyrighted product).

Further, since the Second Circuit's interpretation hinges upon the place of manufacture, individuals or entities may be liable for infringement even if they purchased the product in the United States. Service providers that provide online platforms for resale marketplaces, such as eBay or Amazon.com, could be threatened with secondary liability for hosting offers for infringing sales on their websites. Such websites would have a strong incentive to stop hosting the sale of many used books and other products entirely.

Finally, given that the distribution right of Section 106(3) covers far more than sales, the ramifications of the decision below are not limited to for-profit sales. Thus, an interpretation of Section 109(a) that allows the distribution right to be resurrected at any point in the chain of ownership would also inhibit

actors from lending or giving away copies of copyright-protected works that were manufactured abroad. Libraries, which rely heavily upon the first sale doctrine to lend copies of books to the public, are especially vulnerable under the Second Circuit's stripped-down version of Section 109(a). Without the protection of Section 109(a) for foreign-printed books, libraries could be forced to affirmatively research the place of manufacture for every book they acquire, even if that acquisition is completed within the United States, and either refuse to stock foreign manufactured copies of books or seek countless licenses from copyright owners to offer those books to the public. Similarly, individuals would be unable to loan a book, magazine, or newspaper to a friend if the copy was created abroad. This would have a particularly harsh effect on individuals who speak and read foreign languages, because foreign-language products are more likely to come from foreign publishers.

By inhibiting the public's ability to transfer ownership, even gratuitously, of foreign-manufactured copies, the Second Circuit's interpretation could even impair charitable giving. For example, the very popular and successful Marine Toys for Tots Foundation collects presents for economically disadvantaged children in the weeks surrounding Christmas. For sixty-three years, Toys for Tots has collected donated toys from the public and distributed more than 400 million toys to more than 188 million children. *Origin and Evolution of Toys for Tots*, MARINE TOYS FOR TOTS FOUNDATION (last visited Jan. 3, 2012),

http://www.toysfortots.org/about_toys_for_tots/toys_for_tots_program/origin_and_evolution.asp. Under the Second Circuit's interpretation of Section 109(a), both Toys for Tots and the individuals donating toys to Toys for Tots are liable for copyright infringement for all copyrightable toys or toy packages that were manufactured outside of the United States.[2]

The Second Circuit's decision has enormous impact upon a wide variety of product industries, and imposes tangible harms on consumers who would otherwise participate in the resale market for lawfully purchased goods.

2. Copyright Owners May Attempt to Seize Indefinite Control Over Distribution by Moving Their Manufacturing Activities Abroad.

The decision below could also encourage copyright owners to deliberately foreclose secondary markets by moving their manufacturing operations abroad. As discussed above, copyright owners would gain

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[2] Toys may be subject to copyright protection in a number of ways, so long as they are not uncopyrightable as useful articles. *See, e.g., Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (holding that transforming robotic action figure qualifies for copyright protection). An action figure may receive copyright protection as a sculptural work, a coloring book may contain copyright-protected graphic or pictorial works, or a doll may sing a copyright-protected song via a copyright-protected sound recording.

substantial new control over the distribution of copies of their works if they could exercise exclusive authority over a copy every time it changes hands. This power is potentially very lucrative for manufacturers who wish to prevent consumers from buying used copies or borrowing copies from friends. If a consumer has no access to a used or borrowed copy of a work, she must purchase a new copy at a substantially higher cost than she would have otherwise faced. The Second Circuit's decision thus gives copyright owners a perverse incentive to move manufacturing or other production activities out of the United States to retain indefinite control over copies of their works.

Put another way, the decision below encourages at least two perverse outcomes: American consumers lose access to affordable used copies of products, and companies move American manufacturing and related jobs overseas. It is difficult to imagine that Congress intended these results.

3. The Lower Court's Interpretation of "Lawfully Made Under This Title" Could Also Preclude Consumers from Displaying Their Lawfully Acquired Copies.

The courts' interpretation of the phrase "lawfully made under this title" for the purposes of Section 109(a) could also have far-reaching consequences for other provisions of the Copyright Act that use the same phrase. If future court decisions follow the

Second Circuit's interpretation of this phrase, the application of all of these provisions will be limited to copies manufactured in the United States.

For example, Section 109(c) of the Copyright Act also uses the phrase "lawfully made under this title" to grant the owner of a copy the right to publicly display that copy. 17 U.S.C. § 109(c). Courts have repeatedly interpreted this phrase to preclude applying Section 109(c) to copies "created in violation of the artist's rights," not merely copies made outside of the United States. *See Mass. Museum of Contemporary Art Found., Inc. v. Buchel*, 593 F.3d 38, 63-64 (1st Cir. 2010); *Cariou v. Prince*, 784 F. Supp. 2d 337, 356 (S.D.N.Y. 2011) (paintings may not be publicly displayed under Section 109(c) because the paintings infringed plaintiff's copyrights); *Hoepker v. Kruger*, 200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (defendant may publicly display a lawfully owned copy of a photograph under Section 109(c) despite the fact that the photograph was made in Germany).

If "lawfully made under this title" in Section 109(c) is interpreted identically to the Second Circuit's reading of "lawfully made under this title" in Section 109(a), every owner of a copy of a copyright-protected work, particular visual artworks, would need to obtain a license to display that copy if the work was created outside of the United States. Museums, particularly those with substantial collections of foreign paintings, photographs, drawings, and sculptures, would need to obtain a new license for every piece of foreign-made art in their collections, or hide those

collections from the public indefinitely. Businesses, libraries, and any other entity with a physical space open to the public would need to remove all foreign artworks from their lobbies, hallways, and other public spaces. Again, Congress could not have intended a result that so manifestly contravenes sound public policy and common sense.

C. The Decision Below Would Authorize Copyright Owners to Enjoin Parallel Imports, Contrary to Congressional Intent and Consumers' Interest.

Parallel imports benefit both consumers who rely upon affordable access to goods and businesses that routinely bring lawfully purchased goods into the United States for resale. Contrary to congressional intent, the decision below would allow copyright owners to unilaterally block all parallel imports for goods they had already sold and parted with.

The increase in parallel importation in recent years is a result of cost reductions from new and improved technologies. This means that, when importers market their products at inflated prices in some geographical markets but not others, they face competition from their own products sold at lower prices elsewhere. This is not a new phenomenon: historically, new technology has consistently broken down barriers to market entry and encouraged healthy competition between providers. In 2000, "the U.S. market for gray goods [was] somewhere between $10 and $20 billion a

year." Olga Kharif, *The Global Economy's Gray-Market Boom*, BUSINESSWEEK ONLINE (Nov. 30, 2000), *available at* http://www.businessweek.com/bwdaily/dnflash/nov2000/nf20001130_555.htm. The parallel market in information technology alone was estimated to have grown to more than $40 billion per year by 2009. Romana Autrey & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Working Paper No. 09-098, at 1 (Feb. 25, 2009), *available at* http://www.hbs.edu/research/pdf/09-098.pdf.

Restrictions on parallel importation of legally purchased products impose serious economic consequences. Such restrictions create an "export subsidy" that United States consumers must pay, encourage rent-seeking behavior by producers, and use government resources to protect producers against arbitrage. *See* Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 CARDOZO L. REV. 55, 143-44 (2001). Restricting parallel importation encourages copyright owners to make socially wasteful investments to maintain extra profits they receive from price discrimination. *Id.* at 101 (specifying lobbying, litigation, entry deterring practices, measuring different markets' valuations, enforcing contracts to prevent arbitrage, and designing special distribution systems as examples of the costs of rent-seeking). The Second Circuit's decision here creates an explicit and extensive parallel importation restriction, but these serious consequences were not intended or even contemplated by Congress, either in enacting federal copyright law

generally or in creating Section 602 of the Copyright Act.

Federal copyright law was created with the purpose of "stimulat[ing] artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability to literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor."). *See also Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) ("The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors."). Copyright law was not created for the purpose of restricting parallel imports or making United States consumers subsidize price discrimination in foreign markets. Copyright owners cannot look to copyright law to insulate their business models from international trade or allow them to implement discriminatory pricing on a global scale.

Moreover, there is no suggestion in the legislative history of Section 602 that Congress intended the provision to utilize copyright law to enforce private parties' price discrimination, nor to restrict international trade of many products, some with only a tenuous connection to copyright. Subsequently enacted federal statutes demonstrate a continued understanding and intent that parallel imports remain legal and continue to benefit consumers. *See, e.g.*, Stop Counterfeiting in

Manufactured Goods Act, Pub. L. No. 109-181, § (b)(3)(B), 120 Stat. 285, 287 (codified as amended at 18 U.S.C. § 2320(e)(b) (2006)) (explicitly exempting authorized uses of marks from the act's prohibitions on the import of "counterfeit marks"); 151 Cong. Rec. S12714-01 (2005) (statement of Rep. Lofgren) ("Parallel markets are those in which third parties lawfully obtain goods and make them available in discount stores. Not only has this practice been upheld by the Supreme Court, but it also saves consumers billions of dollars each year. . . . We now have a bill that protects manufacturers, targets illegitimate actors, protects consumers, and leaves the legitimate parallel market unscathed.").

III. The Current Circuit Split Can Be Resolved by Adopting an Alternative Interpretation.

This Court could resolve the conflict between the circuit courts in a way that is both consistent with Sections 109(a) and 602(a) and avoids the extreme practical ramifications of the Second Circuit's interpretation. To accomplish this, the Court should interpret Section 109(a) to apply to all copies make legally according to Title 17 of the United States Code.

A. The Text of the Copyright Act Weighs in Favor of Applying the First Sale Doctrine to Works Manufactured and Sold Abroad.

Federal law grants to copyright owners the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3) (2006). This right is subject to the limitations and exceptions set out in Sections 107 through 122 of the Copyright Act. § 106. One of those limiting provisions is Section 109, which "restates and confirms" the first sale doctrine. H.R. REP. NO. 1476, 94th Cong., 2d Sess., 79 (1979). Section 109(a) of the Copyright Act states: "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." § 109(a).

Section 602(a)(1) of the Copyright Act provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." § 602(a)(1). This subsection establishes that an importation constitutes an infringement of the copyright owner's distribution right when the importation

is conducted without the copyright owner's permission. Because a violation of Section 602(a)(1) is a violation of the copyright owner's Section 106(3) distribution right, and Section 106(3) is subject to the limitations of Section 109(a), then Section 602(a)(1) is also subject to the first sale doctrine. No other language in the Copyright Act suggests that importation is a type of distribution that is untethered by Section 109(a). This interpretation also comports with the rest of Title 17. As this Court has explained: "It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their pace in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989). Other sections of Title 17 demonstrate that Congress is capable of explicitly limiting a section's application to the place of manufacture when it chooses to do so. *See* 17 U.S.C. §§ 401(a), 601 (2006).

B. Under this Interpretation, Section 602 Still Has a Purpose in the Statutory Scheme.

If this Court decides that Section 602(a)(1) is subject to the limitations of the first sale doctrine, Section 109(a) does not render Section 602(a)(1) moot any more than it does Section 106(3). Section 602(a)(1) would primarily act to clarify and confirm that importation is included under the umbrella of distribution for the purposes of Section 106, a conclusion not necessarily evident, as importation itself does not always require a transfer of ownership. To be sure, Section

109(a) substantially limits the application of Section 602(a), to the extent that copyright owners attempt to control the importation of copies of their works after the copyright owners have already exhausted their distribution right over those particular copies. But the right to prevent the redistribution of copies already sold is simply not within the exclusive rights granted to copyright owners under United States law.

Section 602(a)(2) outlines the specific terms of an infringement case, providing that the importation of copies, "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable," also constitutes an infringement of the distribution right and is actionable under Sections 501 and 506. 17 U.S.C. § 602(a)(2). Thus, the first two subsections of Section 602(a) establish two different circumstances in which an importation constitutes an infringement of the copyright owner's distribution right: (1) under Section 602(a)(1), when the importation (for instance, by a non-owner) is made without the copyright owner's permission;[3] and (2) under Section

---

[3] Such an importation would differ from the instant case when a foreign manufacturer is licensed to produce copies, but is not "the owner" of the copies under Section 109(a), and performs an unauthorized importation. Thus, a publisher with exclusive British distribution rights would not be protected by the first sale doctrine if it sold copies of the book in the United States but did not own those copies. *See Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 148 (1998) (footnotes omitted).

602(a)(2), when the importation is unauthorized *and* the items are or would have been infringing. Both of these provisions are limited by the first sale doctrine, although this does not prejudice a copyright owner's rights under any of the other exclusive rights granted by Section 106.

Thus, Section 602(a) can be interpreted in a way that comports with the statute's text and congressional intent while avoiding absurd practical results.

CONCLUSION

For the aforementioned reasons, the Court should grant the writ of certiorari. This case presents the Court with an opportunity to correct the decision below while resolving an increasingly deep circuit split on an issue of extreme importance to consumers, retailers, and copyright owners in industries spanning the United States economy.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 11-697

SUPREME COURT, U.S.
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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF *AMICI CURIAE* OF RETAIL INDUSTRY LEADERS ASSOCIATION, AMERICAN FREE TRADE ASSOCIATION, AND QUALITY KING DISTRIBUTORS, INC., IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

This case presents the issue that equally divided this Court last term in *Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010). The first-sale doctrine, codified at 17 U.S.C. § 109(a), allows the owner of a copy "lawfully made under this title" to sell or otherwise dispose of the copy "without the authority of the copyright owner...."

The question presented is how the words "lawfully made under this title" apply to a copy that was made abroad under the authority of the U.S. copyright owner, legally acquired abroad, and then imported into the United States:

> – Can such a foreign-made product *never* benefit from the first sale doctrine within the United States, *regardless* of the copyright owner's permission, as the Second Circuit held in this case?
>
> – Can such a foreign-made product benefit from the first sale doctrine within the United States *only* if the owner approves the first sale in this country, as the Ninth Circuit held in *Costco*? or,
>
> – As the *Kirtsaeng* dissent correctly wrote, can such a product *always* benefit from the first sale doctrine within the United States, so long as the copy was made by or with the authority of the U.S. copyright owner—therefore, meeting all elements of the requirement that the copy be "lawfully made under [title 17]"?

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STATEMENT OF INTEREST[1]

Retail Industry Leaders Association ("RILA"), established in 1969 as the Mass Retailing Institute, represents the interests of retailers, product manufacturers, and service suppliers. Its 600 member companies include the largest and fastest growing companies in the retail industry, and account for more than $1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

The American Free Trade Association ("AFTA") is a not-for-profit trade association that, for nearly 30 years, has advocated on behalf of the discount marketplace and the thousands of U.S. citizens engaged and/or employed in the parallel market. With members and contributors throughout the country, AFTA gives voice in legislative, regulatory, and judicial fora, to the needs and concerns of all participants in the global supply chain, from importers and distributors to retailers and consumers. AFTA advocates for strong anti-counterfeiting enforcement tools and continues working aggressively to ensure that U.S. laws protect consumers against injury from counterfeit and infringing goods—without sacrificing the substantive benefits of a competitive, global marketplace.

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1. The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, their respective members, or their counsel made a monetary contribution to its preparation or submission.

Quality King Distributors, Inc. ("QKD") is a family-owned wholesale distributor of health, beauty and cosmetics products, located in Bellport, N.Y. Founded in 1961 in a storefront in Queens, New York, QKD has become one of the largest privately-held businesses in the New York metropolitan area. QKD's national customer base includes most of the mass retail chains including drug store chains, mass discount chains, grocery chains and independent stores. QKD was the petitioner in *Quality King Distribs., Inc. v. L'anza Research, Inc.*, 523 U.S. 135 (1998) ("*Quality King*"), in which the Court last issued an opinion addressing the application of the first sale doctrine of the Copyright Act to imported goods incorporating ancillary copyrighted works.

These *amici* and their member companies include suppliers, importers, purchasers, and retailers with a vital interest, as to themselves and on behalf of their customers, in promoting robust commerce under the first sale doctrine of U.S. copyright law.[2] Members of the *amici* are among the largest sellers of books, DVDs, software, video games, and audio compact discs, *i.e.*, the types of goods most obviously affected by the scope of the first sale doctrine.

However, the first sale doctrine also affects thousands of ordinary household and personal products on retail shelves. As explained below, in the majority of decided cases applying the first sale doctrine in the importation

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2. Each of these *amici* submitted briefs to this Court last term in *Costco*. *Amicus* AFTA submitted amicus briefs supporting the right of parallel importation under trademark law in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), and under copyright law in *Quality King*.

context, plaintiffs attempted to leverage copyright protection over ancillary and often insignificant aspects of retail goods (*e.g.*, packaging, labels, and use instructions) as a means to thwart parallel "gray market" importation.

As domestic manufacturing increasingly moves offshore, a majority of the products retailers offer for sale in the United States may be produced, procured, and imported from abroad. Retailers and suppliers need confidence that non-piratical goods purchased from manufacturers, importers, and distributors can be resold in U.S. commerce free from claims of copyright infringement. And consumers deserve full value from their purchases, without legal restraints on title.

Therefore, the *amici* submit this brief to inform the Court of the potentially destructive impact of the Second Circuit's decision upon modern commerce, and to urge the Court to grant certiorari and clarify the proper interpretation of the first sale doctrine.

SUMMARY OF ARGUMENT

The correct interpretation of the first sale doctrine to imported goods has great importance to the U.S. economy. The Court's decision in *Quality King Distribs., Inc. v. L'anza Research Int'l Inc.*, 523 U.S. 135 (1998) ("*Quality King*"), provided importers, distributors, and retailers welcome certainty that lawfully produced non-piratical goods could be imported and resold in the United States free from copyright infringement claims. The decision benefited consumers through greater competition and lower prices from domestic availability of lawfully-made imported goods, and, with the rise of Internet sites such as

eBay.com and craigslist.org, from opportunities to resell and acquire previously-owned goods.

Recent decisions from the Second and Ninth Circuits make a shambles of the first sale doctrine.[3] Both the Second Circuit in *Kirtsaeng* and the Ninth Circuit in *Costco* ignore the plain language of section 109, and rewrite that section to apply only to goods made "in the United States" under the Copyright Act. Although each court cites *Quality King* for its erroneous interpretation, *Quality King* nowhere compels that conclusion.

Both courts admit that their interpretation of section 109 harms the interests of American businesses and consumers, and contravenes historical policies underlying the first sale doctrine. To avert these anomalous consequences, the Ninth Circuit invents an extra-statutory "escape hatch," permitting the first sale doctrine to apply if the imported goods are sold in the United States with the copyright owner's permission.[4] The Second Circuit majority rejects that legal fiction, and holds that foreign-produced copies of copyrighted works *never* can benefit from the first sale doctrine. Although the majority acknowledges that forceful policy concerns militate against its holding, the majority suggests any

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3. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011) ("*Kirtsaeng*"); *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an evenly divided Court, Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010) ("*Costco*").

4. The Ninth Circuit thus ignored the statutory requirement under section 109 that the first sale doctrine applies "without the authority of the copyright owner."

"undesirable" or "unpalatable" consequences of its draconian view can be cured by Congress. *Kirtsaeng*, 654 F.3d at 222 & n.44.

The *amici* submit that the *Kirtsaeng* dissent correctly interprets section 109. Judge Murtha's dissent observes that the majority's limitation to domestically-produced goods improperly inserts language into an otherwise clear statutory text. The dissent gives "lawfully made under this title" its natural reading: "regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law." 654 F.3d at 226. Thus, the dissent's reading of section 109 remains true to the statutory language and avoids the policy pitfalls of the majority.

This case provides a suitable vehicle to address the question presented. The reasons justifying the grant of certiorari in *Costco* now have been exacerbated by the Second Circuit majority's holding that the first sale doctrine never can apply to foreign-made copies. Moreover, the factual context of this case, where the foreign-made books bore U.S. copyright notices and warnings, and legends against sale outside of certain countries, presents a full opportunity for the Court to explore the interaction between sections 109 and 602(a) of title 17.

For these reasons, as set forth below, the petition should be granted.

ARGUMENT

I. THIS COURT SHOULD GRANT THE PETITION TO SAFEGUARD THE FIRST SALE DOCTRINE AND PRESERVE LAWFUL COMMERCE IN GENUINE PARALLEL IMPORTED GOODS.

To retailers, wholesalers, and consumers of copyrighted works, the first sale doctrine is the Magna Carta of property rights and open commerce.[5] Businesses need confidence that genuine foreign-produced goods can be purchased and resold in U.S. commerce free from claims of copyright infringement, in the same way as domestically-produced goods. Properly interpreted, the first sale doctrine secures to businesses and individuals the right to acquire and resell goods produced by or under the authority of the copyright owner, regardless of whether the goods were produced in the United States or abroad.

Retail in the United States in general, and in imported goods specifically, constitutes a major segment of the domestic economy. In 2009, retail trade sales in the

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5. Section 109, entitled "Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord," provides in pertinent part:

> (a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

U.S. exceeded $3.6 trillion.[6] In 2010, the value of goods imported into the United States was $1.935 trillion.[7] The first sale doctrine directly benefits a significant portion of these goods, and potentially could affect nearly all of them. Thus, *amici* believe it is essential to commerce that this Court properly interpret the first sale doctrine as applicable to foreign-produced goods.

1. The first sale doctrine applies to goods readily identifiable as copyright-protected, such as copies of the books involved in this case, Blu-Ray and DVD movie discs, and video games, and phonorecords of copyrighted sound recordings such as compact discs. According to government and industry estimates, in 2010:

- Retail commerce in copyrighted works sold in the United States (such as books, recorded music, motion pictures, and magazines) reached $205 billion[8]

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6. U.S. Census Bureau, U.S. Dep't of Commerce, U.S. Census Bureau, Statistical Abstract of the United States: 2012, Table 1055, Retail Trade Sales -- Total and E-Commerce by Kind of Business 2009, http://www.census.gov/compendia/statab/2012/tables/12s1055.pdf (last visited Dec. 27, 2011). Online retail sales in 2009 totaled more than $145 billion, approximately 4.0% of all retail sales in the United States.

7. Central Intelligence Agency, The World Factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/us.html (last visited, Dec. 28, 2011).

8. U.S. Bureau of Economic Analysis, U.S. Dep't of Commerce, National Economic Accounts, Table 2.4.5U. Personal Consumption Expenditures by Type of Product, http://www.bea.gov/national/nipaweb/nipa_underlying/TableView.asp?SelectedTable=17&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromVi

- Consumers spent $18.8 billion to purchase and rent movies.[9]

- Sales of recorded music in physical format exceeded $3.63 billion[10]

- Book sales reached $15.66 billion[11]

- The electronic game industry was estimated to constitute a more than $15 billion market segment in the United States[12]

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ew=YES&Freq=Year&FirstYear=2009&LastYear=2010&3Place=N&Update=Update&JavaBox=no (last visited Dec. 27, 2011).

9. Digital Entertainment Group, "DEG Year-End 2010 Home Entertainment Report," http://www.degonline.org (follow the "Data & Resources" hyperlink) (last visited Dec. 9, 2011).

10. Recording Industry Association of America, "2010 Year-End Shipment Statistics," http://76.74.24.142/548C3F4C-6B6D-F702-384C-D25E2AB93610.pdf (last visited Dec. 8, 2011). That figure does not include more than $2.23 billion in sales of recorded music in digital formats.

11. U.S. Census Bureau, U.S. Dep't of Commerce, Estimates of Monthly Retail and Food Services Sales by Kind of Business: 2010, at tab 2010, http://www.census.gov/retail/mrts/www/data/excel/mrtssales92-present.xls (last visited Dec. 8, 2011).

12. Press Release, NPD Group, Inc., 2010 Total Consumer Spend On All Games Content In The U.S. Estimated Between $15.4 To $15.6 Billion (Jan. 13, 2011), https://www.npd.com/press/releases/press_110113.html (last visited Dec. 27, 2011).

Amici and their members collectively sell annually hundreds of millions of copyrighted books, compact discs, DVDs, and video games, and are among the nation's largest retailers of these goods.

2. Thousands of other products sold by the *amici* members include material ancillary to the purchased goods, such as product labels or package inserts. Under the low threshold for copyright protection, copyright registrations routinely are granted for packaging, logos, labels, and product inserts for everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals.

The concern of the *amici* is not that these registrations are issued, but that copyright owners register these essentially functional items, with no intrinsic value as expression, as a means to stifle low-priced competition from sales of authentic parallel-imported goods. This was the context of the last two cases before this Court. In *Costco*, the copyright owner engraved a minuscule copyrighted image on a watch back solely to prevent parallel importation of authentic watches that Costco sold at $700 below the manufacturer's suggested retail price.[13] Similarly, in *Quality King*, the plaintiff attempted to use a copyright on a label of hair care products to prevent discount-priced competition from lawfully-made re-imported products.[14] Given today's global and online

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13. On remand, the district court adjudged Omega's actions to be copyright misuse. *Omega, S.A. v. Costco Wholesale Corp.*, CV 04-05443 TJH (E.D. Cal. Nov. 9, 2011) (Order and J.).

14. *See also, Denbicare U.S.A. Inc. v. Toys "R" Us*, 84 F.3d 1143 (9th Cir. 1996) (packaging for reusable diapers); *Parfums*

economy, it is impossible to overstate the potential disruptive impact on commerce if, under the guise of such "thin" copyrights, companies cannot import and sell goods lawfully made abroad consistent with U.S. copyright law, and consumers cannot transfer ownership of their property.

3. It is generally feasible for retailers to ensure that the goods that they offer for sale are authentic. Less obvious is where the goods were manufactured or how they were first acquired.

In today's global economy, retailers commonly acquire products not directly from the manufacturers, but through exporters, importers, and trading companies. They, too, may not deal directly with the manufacturers of those goods, such that goods may be bought and resold several times before reaching retail shelves. These sources promote effective competition, *e.g.*, by enabling manufacturers without a substantial distribution network to reach foreign customers, and retailers to obtain name brand goods in smaller quantities.

Many retailers purchase authentic "gray market" goods for resale from wholesale importers and distributors that arbitrage goods to take advantage of lower foreign pricing. As a result, consumers buy the same quality goods

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Givenchy v. Drug Emporium, Inc., 38 F. 3d 477 (9th Cir. 1994) (box for perfume); *Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988) (labels for beauty supplies); *Cosmair v. Dynamite Enters., Inc.*, 226 U.S.P.Q. 344, 1985 WL 2209 (S.D. Fla. 1988) (package label for cosmetics and fragrances); *Neutrogena Corp. v. Sec. of Treasury*, 7 U.S.P.Q. 2d 1900, 1988 WL 166236 (D.S.C. 1988) (packaging for cosmetics products).

at competitive prices.[15] The value of such parallel imported goods sold annually in the United States represents a multibillion-dollar benefit to American consumers.[16]

4. The first sale doctrine also creates aftermarkets for sale and rental of "used" copyrighted works. Such aftermarkets enable consumers to enjoy a greater number of copyrighted works, and spread access to cultural works to persons with lower incomes. Video rental – a commercial activity made possible by the first sale

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15. For example, *amicus* QKD purchases name-brand products at lower prices in foreign markets, and resells these imported goods to U.S. wholesalers and retailers. QKD often sells these discount-priced goods in competition with the same, higher-priced goods from manufacturers or "authorized" distributors. Those were the facts of *Quality King*–the case which QKD brought before this Court in order to vindicate its right under the first sale doctrine to sell goods in the United States that had been lawfully produced in the United States but purchased abroad.

16. A 2008 white paper prepared by KPMG for an organization opposed to parallel importation estimated $58 billion annually in parallel importation activity. "Effective Channel Management is Critical in Combating the Gray Market and Increasing Technology Companies' Bottom Line," http://www.agmaglobal.org/press_events/press_docs/KPMG%20AGMAGrayMarketStudyWebFinal071008.pdf (last visited Dec. 27, 2011). *See also,* Alvin Galstian, *Protecting Against the Gray Market in the New Economy*, 22 Loyola L.A. Int'l & Comp. L. Rev. 507, 509 (2000) ("The annual U.S. and U.K. gray market economies exceed $10 billion and £ >1.62 billion, respectively, and are driven by the countries' relatively open economic markets and their peoples' insatiable appetites for consumer products.").

doctrine[17] – achieved $7.35 billion in revenues in 2009.[18] According to the Book Industry Study Group, the used book market segment in 2004 constituted $2.2 billion in overall sales, with some $1.6 billion in sales of used textbooks.[19]

The Second Circuit opinion in *Kirtsaeng*, and the Ninth Circuit decision in *Costco*, denies first sale protections to *any* foreign-produced goods. Given the realities of international commerce, the interpretation of section 109 by the majority in *Kirtsaeng* (and the Ninth Circuit in *Costco*) imposes impossible burdens and transaction costs on suppliers and retailers. Grant of certiorari and reversal by this Court therefore will provide needed certainty to commercial enterprises and to consumers.

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17. Under Section 109(b)(1), copyright owners retain an exclusive right with respect to rental of phonorecords and certain computer software.

18. U.S. Census Bureau, U.S. Dep't of Commerce, Annual Services Report, Table 5.1. Rental and Leasing Services (NAICS 532) – Estimated Revenue for Employer Firms: 2001 Through 2009, http://www2.census.gov/services/sas/data/53/2009_NAICS53.pdf (last visited Dec. 8, 2011).

19. Edward Wyatt, *Internet Grows as Factor in Used Book Business*, N.Y Times, Sept. 29, 2005, http://query.nytimes.com/gst/fullpage.html?res=9D05E2DA1230F93AA1575AC0A9639C8B63 (citing Book Industry Study Group, Inc., *Used-Book Sales: A Study of the Behavior, Structure, Size and Growth of the U.S. Used-Book Market* (Sept. 2005)).

II. *KIRTSAENG* IS WRONGLY DECIDED AS A MATTER OF LAW AND POLICY, AND SHOULD BE REVERSED.

A. The Majority Opinion Misinterprets Both Section 109 and *Quality King*.

The *Kirtsaeng* panel faced "an issue of first impression in our Court." *Id.*, 654 F.3d at 212. Deeming the five-word phrase "lawfully made under this title" to be "simply unclear" and "utterly ambiguous," the panel majority found the text susceptible to three plausible meanings: "(1) 'manufactured in the United States'; (2) 'any work that is subject to protection under this title'; or (3) 'lawfully made under this title had this title been applicable.'" *Id.*, at 220 (footnote omitted). The first interpretation gave primacy to a copyright owner's ability to exclude importation of authentic foreign-made copies under section 602(a). Either of the latter two interpretations maintained a broader scope of the first sale doctrine under section 109.

The court described the question as "perhaps a close call," but in the end chose the first interpretation. *Kirtsaeng*, at 221. The result, the court acknowledged, not only made parallel importations of copyrighted works unlawful; it negated first sale privileges for any copies or phonorecords of copyrighted works, and any goods incorporating a copy of a copyrighted work, manufactured outside the United States—*even if manufactured, imported, and sold in the United States by or under the authority of the copyright owner.*[20]

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20. A Ninth Circuit decision reaching that same conclusion, *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991), received sharp

As a result, the decision exposes every retailer and consumer to unforeseeable copyright infringement liability for transferring possession or title to any foreign-manufactured goods–including injunctive relief, seizure and loss of inventory, statutory damages (including statutory damages ranging from $750 to $150,000), and payment of both plaintiff's and its own litigation costs and attorneys' fees.[21]

In reaching this result, the Second Circuit relied upon a misreading of this Court's *dicta* in *Quality King*. In *dicta*, the Court there considered a scenario in which a U.S. copyright owner separately assigned book publication rights to British and U.S. publishers under their countries'

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criticism from the Ninth Circuit. *See L'anza Research Int'l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109, 1115 (9th Cir. 1996), *rev'd on other grounds*, 523 U.S. 135 (1998) (noting leading commentators' criticism of *BMG Music*); *Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996) ("The impracticality of the burden [plaintiff] would have us impose on the retailers gives us pause about whether its reading of *Parfums Givenchy* and *BMG Music* is correct."); *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d at 1149-50 (noting "widespread criticism" of *BMG Music*); *Parfums Givenchy v. Drug Emporium*, 38 F.3d at 482 n.8 (characterizing as "absurd and unintended" to give "foreign manufactured goods . . . greater copyright protection than goods manufactured in the United States").

21. *See Parfums Givenchy, Inc.*, 38 F.3d at 482 ("the purchaser of illegally imported copies has no more authority to distribute copies than does the original importer"); *American Int'l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978) ("even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder").

respective laws. 523 U.S. at 148. Under those facts, the Court posited that the first sale of a book made under British copyright law would not exhaust the importation right in the United States.[22]

The Second Circuit mistakenly divides all copies into two exclusive categories: those made in the United States, and those made "under the law of some other country." The court thus erroneously assumes that copies made "under the law of some other country" cannot also be lawfully made under title 17. *See Kirtsaeng*, 654 F.3d at 221. There, of course, exists a third category that demonstrates the court's error: copies made in a foreign country by or with the authority of the U.S. copyright owner.

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22. Several other courts have misread this passage in *Quality King* as if confirming the importance of the *place* of manufacture rather than the possession of *rights* under title 17. *See Pearson Educ. Inc. v. Arora*, 717 F. Supp. 2d 374, 379 (S.D.N.Y. 2010) ("[t]his Court has—albeit unenthusiastically—followed the Supreme Court's suggestion that the 'first sale' rule does not apply to works copyrighted in the United States, manufactured abroad, and subsequently imported and sold in the United States"); *Pearson Educ. Inc. v. Kumar*, 721 F. Supp. 2d 166, 178 (S.D.N.Y. 2010) ("the first sale doctrine does not apply to copies of a copyrighted work manufactured abroad"); *Pearson Educ. Inc. v. Liu*, 656 F. Supp. 2d 407, 416 (S.D.N.Y. 2009) ("[t]his Court therefore holds, *dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad"). To the contrary, the Court's hypothetical assumes that the British publisher had no rights to make in the United States and, therefore, that the books produced by that publisher could not be lawfully made under title 17. *Quality King*, 523 U.S. at 148. *Cf. Boesch v. Graff*, 133 U.S. 697 (1890) (importation of foreign lamps lawfully made in Germany by one who had no rights under the United States patent infringed rights of United States patent assignee).

The dissenting judge in *Kirtsaeng* understood the importance of this distinction. Judge Murtha observed that Congress elsewhere in title 17 had inserted a domestic manufacturing requirement where it so intended, so there was no justification to imply such a restriction into the words "lawfully made." 654 F.3d at 226. Congress used the phrase "under this title" in multiple sections of the Copyright Act to describe the scope of rights created under title 17. *Id.* Moreover, foreign entities can lawfully exercise U.S. copyright rights either as the copyright owner or with the authority of the U.S. copyright owner. *Id.* Therefore, the dissent gave the phrase its natural reading, and held that a copy "lawfully made under this title" means "regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law." *Id.*

B. The *Kirtsaeng* Majority Ignores the Policies Underlying the First Sale Doctrine, Putting at Risk Retailers, Their Suppliers, and Their Customers.

In *Quality King*, this Court analyzed the interaction of sections 106, 109, and 602 of the Copyright Act, and held the importation prohibitions of section 602(a) are "simply inapplicable" to both domestic and foreign owners of lawfully-made products that import and resell them in the United States. *Id.*, 523 U.S. at 145. After the first sale, even unauthorized resales do not infringe the copyright owner's exclusive right to distribute. *Id.* at 143. "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by

selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152.[23]

Quality King gave full force to the first sale doctrine, and placed retailer and consumer first sale rights beyond the reach of the copyright owner:

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item.

Id., 523 U.S. at 145. By affirming the primacy of the first sale doctrine over the importation ban, the Court granted a crucial victory to commercial businesses and consumers alike.

This Court, in the context of patent infringement, has acknowledged the threat to free commerce where legitimate businesses face uncertain risks of liability, and the important role played in commerce and personal property rights by the exhaustion doctrine:

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23. *Cf. Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008) ("[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item").

> one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. ... *The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.*

Keeler v. Standard Folding-Bed Co., 157 U.S. 659, 666-667 (1895) (emphasis added).

Businesses that rely on exceptions to intellectual property rights need bright line rules to avoid the "disastrous or even lethal consequences" of infringement suits:

> businessmen are certainly entitled to know when they are committing an infringement. ... But to what avail these congressional precautions if this Court, by its opinions, would subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them....[24]

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24. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 358-359 (1961) (Black, J., concurring). The Ninth Circuit similarly acknowledged that an overbroad interpretation of section 602(a) and a narrow scope of section 109 would impose undue burdens and financial risks upon lawful commerce:

> [E]very little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright

The principles announced in *Quality King* relieved retailers from unknown and unknowable infringement litigation risks that could jeopardize their businesses. But the *Kirtsaeng* majority ignored these consequences. As a result, the decision creates disruption and uncertainty for retailers and distributors, who must now weigh the consequences of selling any imported product that could have a copyrightable label, logo, or product insert – *i.e.*, virtually every product in their stores.

A domestic manufacturing requirement also creates perverse incentives for U.S. copyright owners to produce all copies of their copyrighted works outside the United States. No copyright or public policy would be served by the potential losses of jobs and tax revenue, or the manifest disadvantages to consumer and commercial interests. And no rule of statutory interpretation suggests that Congress intended to give greater rights to foreign manufacturers than to U.S. manufacturers—particularly where even the Second Circuit found the text readily susceptible to interpretations that created no absurd policy results.

Applying the first sale doctrine only to domestically-produced goods also unfairly advantages foreign owners of U.S. copyrights over U.S. copyright holders. In *Parfums Givenchy,* the Ninth Circuit concluded that denying first sale rights to foreign made goods would contravene both the language of the statute and public policy:

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owner had attempted to arrange some different means of distribution several transactions back.

Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp., 97 F.3d at 380.

> This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States. We agree that such a result would be untenable, and that nothing in the legislative history or text of § 602 supports such an interpretation.

38 F.3d at 482 n.8 (citing *BMG Music*, 952 F.2d at 319)

The harm to consumers is equally obvious. The Second Circuit decision subjugates retailer competition to copyright owner price controls, resulting in fewer goods offered at retail, in fewer retail outlets, and artificially inflated prices to consumers. Moreover, under the decision of the *Kirtsaeng* majority, any purchaser of a foreign-produced copyrighted work–even if made with the express authority of the copyright owner–could lose the right to dispose of the property in any manner of resale, gift, or lending, without being branded an infringer.

As a matter of policy, tying the first sale rule to domestic manufacture is at odds with the notion of free trade at the heart of today's global economy. As just one example, suppose a U.S. copyright owner duplicates its movie discs in Mexico, and imports and sells them in the United States. Under the *Kirtsaeng* majority view, despite that the lawful copy was imported and sold by the copyright owner, the first sale doctrine would not apply simply because the copy was not "lawfully made" in the

United States. Any subsequent sale in the United States not made by the copyright owner would be infringing–clearly an absurd result. Consequently:

- Video stores could not rent those movie discs because they were manufactured outside the United States.[25]

- Video stores that today purchase multiple copies of a movie during its initial release would no longer be able to engage in the common practice of reselling most of the copies as "previously viewed" disks for a much lower price.

- An individual consumer could watch the movie, but could not lend it to a friend, resell it online, or give it away as a present.

These are the precise kinds of restraints on disposition of personal property that the first sale doctrine was intended to prohibit.

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25. Film producers in fact sought unsuccessfully to stifle the then-incipient independent video rental business by amending section 109 to prevent commercial rental of videotapes. H.R. 5707, 97th Cong. (1982). *See* Peter S. Menell, *The Property Rights Movement's Embrace of Intellectual Property: True Love or Doomed Relationship?*, Paper 36 (2007), eScholarship Repository, Berkeley Center for Law and Technology, http://repositories.cdlib.org/bclt/lts/36. Because the motion picture industry failed to narrow the first sale doctrine, entrepreneurs created a new multi-billion dollar industry segment for video rental that enabled millions of consumers to rent movies they could not have afforded to purchase.

As the *Kirtsaeng* dissent observed, "Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market."[26] Neither a mass market retail chain that imports billions of dollars of goods for resale each year, nor a local shop that purchases its inventory from importers and distributors in the middle of the supply chain, can always know the true provenance of imported lawfully-made goods. In most cases, retailers have no way reasonably to ascertain whether goods are protected by copyright because the copyright owner places no copyright notice on the goods. As this case shows, foreign-produced goods with a U.S. copyright notice still may not be free and clear for resale under the first sale doctrine.

If the Second Circuit holding stands, the retail industry will have little confidence to stock or sell authentic goods acquired from an independent exporter, importer, or distributor. Given the practical difficulties in assuring the lineage of imported goods, retailers would be at risk even where buying and selling re-imported goods produced in the United States—despite *Quality King*.

Thus, the *amici* urge this Court to grant the petition in this case so as to set the first sale doctrine back on its proper course.

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26. *See Kirtsaeng*, 654 F.3d at 227 (Murtha, J. dissenting).

III. PETITIONER'S CASE IS A PROPER VEHICLE TO ADDRESS THESE CRUCIAL ISSUES.

1. The question presented herein flows directly from *Quality King* and *Costco*. At the time of *Quality King*, a split existed among the circuits as to the proper interpretation of sections 106(3), 109(a), and 602 of the Copyright Act. *Quality King* resolved the split and re-established the certainty and predictability of the law necessary to encourage the free flow of goods. The Court granted certiorari in *Costco* to resolve the applicability of the first sale doctrine to foreign-manufactured goods, a narrow factual context not directly addressed in *Quality King*. The existing split among the circuits on that question now has been exacerbated by the split between *Costco* and *Kirtsaeng*.

2. This case presents a paradigm scenario in which to squarely address the issues. This type of fact pattern already has been addressed twice by this Court, and has been replayed numerous times in courts in other jurisdictions since *Quality King* was decided more than a decade ago. As the Second Circuit reported the facts of the case, the foreign manufacturer was a wholly-owned subsidiary of the respondent which owns by assignment the U.S. and foreign copyrights to reproduce and distribute the books. Each book bore U.S. copyright notices. *Kirtsaeng*, 654 F.3d at 222 & n.43. At least two of the editions contained additional legends that invoked U.S. copyright law. *Id.* The foreign editions also bore a legend purporting to limit sales only to certain regions, not including the United States. *Id.* at 213. Thus, this case presents the Court with a factually-rich palette to explore fully the intersection between sections 109 and 602 of title 17.

3. In the absence of intervention by this Court, other courts are likely to follow one of the two paths mistakenly taken by the Second and Ninth Circuit Courts of Appeal. If this Court does not address the issue at this time, potential plaintiffs may become increasingly emboldened to exploit the shrinking scope of the first sale doctrine as a means to artificially inflate prices and restrict rental and aftermarkets.

4. The cumulative impact of price discrimination, made possible by the *Kirtsaeng* majority, is enormous. Unless the decision is reversed, the drain on consumers and the American economy could reach billions of dollars in higher prices paid for goods that could have been purchased at lower prices through parallel importation. That impact will become more pervasive, and more costly, given the rapid growth of commerce in parallel imports and used imported goods via online retail and resale. It therefore is timely for the Court to take this case now, before the erroneous holding of the Second Circuit short-circuits the growth of online commerce, and disrupts the myriad daily transactions of corporate retailers and sellers.

Thus, the *amici* respectfully submit that this case presents a timely, representative case to address the issue.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

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January 6, 2012

**Counsel of Record*

JOINT APPENDIX

No. 11-697

In the
Supreme Court of the United States

SUPAP KIRTSAENG, d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

JOINT APPENDIX

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Petition for Writ of Certiorari filed Dec. 5, 2011
Certiorari Granted Apr. 16, 2012

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United States Court of Appeals
for the Second Circuit
09-04896-CV

John Wiley & Sons, Inc. v. Supap Kirtsaeng et al
Assigned to: Judge Donald C. Pogue

Date Filed: 11/24/2009
Date Order/Judgment: 11/17/2009

8/15/11	OPINION, affirming judgment of the district court, FILED. (JAC., RAK., Cjj., JGM*., D.j.) [Entry date Aug 15 2011] [YS]
10/13/11	ORDER, denying petition for rehearing en banc, FILED. [Entry date Oct 13 2011] [YS]
10/26/11	Judgment MANDATE ISSUED. CLOSED [Entry date Oct 26 2011] [YS]
12/7/11	Notice of filing petition for APPELLANT Supap Kirtsaeng, dated 12/07/2011 filed. Supreme Court #: 11-697. [Entry date Dec 12 2011] [YS]
4/16/12	Writ of Certiorari GRANTED [Entry date Apr 18 2012] [YS]

U.S. District Court
Southern District of New York (Foley Square)
CIVIL DOCKET FOR
CASE #: 1:08-cv-07834-DCP

John Wiley & Sons, Inc. v. Supap Kirtsaeng et al
Assigned to: Judge Donald C. Pogue
Referred to:
Cases in other court: US Court of Appeals, Second Circuit, 09-04896
Cause: 17:101 Copyright Infringement

Date Filed: 9/08/2008
Date Terminated: 11/17/2009
Jury Demand: Defendant
Nature of Suit: 820 Copyright
Jurisdiction: Federal Question

Date Filed	#	Docket Text
05/08/2009	18	AMENDED COMPLAINT amending 1 Complaint against Supap Kirtsaeng, John Doe. Document filed by John Wiley & Sons, Inc. Related document: 1 Complaint filed by John Wiley & Sons, Inc.(dle) (Entered: 05/11/2009)
10/07/2009	46	PROPOSED JURY INSTRUCTIONS. Document filed by Supap Kirtsaeng.

		(Israel, Sam) (Entered: 10/07/2009)
10/19/2009	52	OPINION:#98172 In light of the court's analysis, described above, of Kirtsaeng's proposed defenses in this action, it is hereby: ORDERED that Kirtsaeng is prohibited as a from raising a defense pursuant to the doctrine; and it is hereby matter of law "first sale": ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to waiver; and it is hereby: ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense claiming lack standing to bring this lawsuit. (Signed by Judge Donald C. Pogue on 10/19/09) (ae) Modified on 10/23/2009 (eef). (Entered: 10/19/2009)
10/28/2009	64	JOINT PRE-TRIAL ORDER. (Signed by Judge Donald C. Pogue on 10/28/2009) (rw) (Entered: 10/29/2009)

11/03/2009		Minute Entry for proceedings held before Judge Donald C. Pogue: Jury Trial begun on 11/3/2009. (tro) (Entered: 11/04/2009)
11/04/2009		Minute Entry for proceedings held before Judge Donald C. Pogue: Jury Trial completed on 11/4/2009. Total trial days 2. (tro) (Entered: 11/04/2009)
11/04/2009		JURY VERDICT for plaintiff in the amount of $600,000.(tro) (Entered: 11/04/2009)
12/01/2009	75	TRANSCRIPT of proceedings held on November 3, 2009 at 9:30 am before Judge Donald C. Pogue. (eef) (Entered: 12/01/2009)
12/08/2009	76	TRANSCRIPT of proceedings held on November 4, 2009 before Judge Donald C. Pogue. (mro) (Entered: 12/08/2009)
02/17/2010	84	ORDER denying 78 Motion to Direct. Pursuant to defendant's agreement, defendant is directed, upon achievement of

		his Ph.D, to deliver his computer and fax/printer/scanner to plaintiff. Pursuant to defendant's agreement, defendant is directed to provide plaintiff with title to the golf clubs and plaintiff's motion is otherwise denied. (Signed by Judge Donald C. Pogue on 2/17/10) (dle) (Entered: 02/17/2010)
10/27/2011	85	MANDATE of USCA (Certified Copy) as to 74 Notice of Appeal filed by Supap Kirtsaeng USCA Case Number 09-4896. Ordered, Adjudged and Decreed that the judgment of the District Court is AFFIRMED in accordance with the opinion of this Court. Catherine O'Hagan Wolfe, Clerk USCA for the Second Circuit. Issued As Mandate: 10/26/2011. (Attachments: # 1 Opinion) (nd) (Entered: 10/27/2011)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

---

08 Civ. 7834 (GEL)

Received
May 08 2009
U.S.D.C. S.D.N.Y
Cashiers

JOHN WILEY & SONS, INC.,

Plaintiff,

- against -

SUPAP KIRTSAENG D/B/A BILLYTEXT D/B/A BLUECHRISTINE99 D/B/A PINKYTEXT, D/B/A SUDCHLIEW D/B/A TUBOOKS123 D/B/A PIGVICKY and JOHN DOE NOS. 1-5,

Defendants.

AMENDED COMPLAINT

Plaintiff John Wiley & Sons, Inc. ("Wiley") by its undersigned attorneys, for its amended complaint against defendants Supap Kirtsaeng d/b/a BillyText d/b/a BlueChristine99 d/b/a PinkyText d/b/a

Sudchliew d/b/a Tubooks123 d/b/a PigVicky and John Doe Nos. 1-5, avers:

NATURE OF THE ACTION

1. Wiley is bringing this action to enforce its copyrights and trademarks against defendants' unlawful sale in the United States of non-United States versions of Wiley's educational books.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over the first two claims in this action pursuant to 28 U.S.C. §§ 1331 and 1338 because they arise under the Copyright Act, 17 U.S.C. § 101 et seq., or the Lanham Act, 15 U.S.C. § 1051 et seq. This Court has subject matter jurisdiction over the third claim in this action pursuant to 28 U.S.C. § 1367 because it is so related to the claims within the original jurisdiction of this Court that they form part of the same case or controversy within the meaning of Article III of the United States Constitution.

3. Upon information and belief, venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1400(a).

PARTIES

4. Wiley is a corporation organized and existing under the laws of the State of New York with its principal place of business at 111 River Street, Hoboken, New Jersey 07030.

5. Upon information and belief, defendant Supap Kirtsaeng is a natural person currently residing at 3637 Mentone Avenue, Apartment 3, Los Angeles, California 90034.

6. John Doe Nos. 1-5 are associates of the named defendant whose identities are presently unknown to Wiley.

THE BUSINESS OF PLAINTIFF

7. Wiley publishes a variety of works, including educational books.

8. As a standard practice, Wiley requires its authors to assign the copyright to it or grant it the exclusive rights of reproduction and distribution in the United States. This practice enables Wiley to maximize dissemination of each work.

9. Wiley invests significant monies to publish its copyrighted works. Wiley, for example, makes substantial investments in royalties, content creation, licensing, copyediting, proofreading, typesetting, layout, printing, binding, distribution, and promotion.

10. Wiley earns a substantial portion of its revenue from the publication of its copyrighted works and would suffer serious financial injury if its copyrights were not enforced. A substantial decline in its income could cause Wiley to cease publishing one or more deserving books or journals. This would adversely impact the creation of new works, scholarly endeavor, and scientific progress.

11. Wiley's educational books authorized for sale in the United States are of the highest quality (the "United States Editions"). These books are generally printed with strong, hard-cover bindings with glossy protective coatings and, in some cases, contain extra features such as sewn ribbon bookmarks. Wiley frequently offers academic supplements, such as CD-ROMs, computer passwords that provide purchasers with access to academic websites corresponding to the textbooks, and study guides with the United States Editions.

12. Wiley generally creates different versions of its educational books that are intended for sale in specific geographic markets outside of the United States (the "Foreign Editions"). The Foreign Editions materially differ from the United States Editions. The Foreign Editions have thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, lower quality photographs and graphics, and generally lower prices than the United States Editions. Also, the Foreign Editions often lack academic supplements, such as CD-ROMs, website passwords, or study guides. The Foreign Editions are generally marked to indicate their lower cost by a legend indicating, in substance, that the title is a "Low Price Edition" and/or authorized for sale only in a particular country or geographic region. The Foreign Editions are uniformly manufactured outside of the United States.

WILEY'S COPYRIGHTS AND TRADEMARKS

13. Wiley routinely registers its copyrights. Wiley has generally registered its copyrights in its works, including those identified on Schedule A (the "Wiley Copyrights").

14. Wiley also owns trademarks that it uses to differentiate its products from those of its competitors.

15. Among Wiley's well-known trademarks are "John Wiley & Sons," "Wiley," and the "John Wiley Colophon" (the "Wiley Trademarks"). The United States Registrations for the Wiley Trademarks are identified on Schedule B.

THE INFRINGING ACTS OF DEFENDANTS

16. Defendants have without permission purchased Foreign Editions of Wiley's books manufactured outside of the United States and resold them to purchasers in the United States through the Internet at websites including, but not limited to, eBay.com using the user names "BlueChristine99," "BillyText," "PinkyText," "Sudchliew," "Tubooks123," and "PigVicky" and the e-mail addresses bluechristine@att.net, acecontemporary@hotmail.com, pigvicky@att.net, banjopsuk18@yahoo.com, bluechristine@att.net, bluechristine55@yahoo.com, sudchliew9@att.net, kirtsaengl@hotmail.com, billytext99@att.net, and pinkytext14@att.net.

FIRST CLAIM FOR RELIEF
(Copyright Infringement – 17 U.S.C. § 501)

17. Wiley repeats the averments contained in paragraphs 1 through 16 as if set forth in full.

18. Wiley has received United States Certificates of Copyright Registration for the Wiley Copyrights.

19. The Wiley Copyrights are valid and enforceable.

20. Defendants have infringed the Wiley Copyrights in violation of 17 U.S.C. § 501.

21. Defendants' acts have irreparably damaged and, unless enjoined, will continue to irreparably damage Wiley. Wiley has no adequate remedy at law for these wrongs and injuries. Wiley is, therefore, entitled to a preliminary and permanent injunction restraining and enjoining defendants and their agents, servants, employees, and attorneys and all persons acting in concert with them, from infringing the Wiley Copyrights.

22. Defendants have willfully infringed the Wiley Copyrights.

23. Wiley is entitled to recover all damages sustained as a result of defendants' unlawful conduct including (1) defendants' profits, or (2) Wiley's damages, or alternatively, (3) statutory damages.

SECOND CLAIM FOR RELIEF
(Trademark Infringement – 15 U.S.C. § 1114(a))

24. Wiley repeats the averments contained in paragraphs 1 through 23 above as if set forth in full.

25. Wiley owns the Wiley Trademarks, for which it has obtained United States Trademark Registrations.

26. The Wiley Trademarks are valid and enforceable.

27. Defendants have infringed the Wiley Trademarks in violation of 15 U.S.C. § 1114(a) by using them on and/or in connection with the works that they have sold.

28. Defendants' acts complained of herein have irreparably damaged Wiley and may continue to do so. The damage to Wiley includes harm to its good will and reputation in the marketplace for which money cannot compensate. Wiley has no adequate remedy at law for these wrongs. Wiley is, therefore, entitled to a preliminary and permanent injunction restraining and enjoining defendants, their agents, servants, employees, and attorneys and all persons acting in concert with them from using the Wiley Trademarks or any colorable imitation of them.

29. Defendants have willfully infringed the Wiley Trademarks.

30. Wiley is entitled to recover (1) defendants' profits from the infringing books, (2) Wiley's

damages, (3) the costs of the suit, and (4) reasonable attorneys' fees.

THIRD CLAIM FOR RELIEF
(Common Law Unfair Competition Under State Law)

31. Wiley repeats the averments contained in paragraphs 1 through 30 above as if set forth in full.

32. Defendants' acts complained of herein have damaged and may continue to damage Wiley irreparably. The damage to Wiley includes harm to its goodwill and reputation in the marketplace for which money cannot compensate. Wiley has no adequate remedy at law for these wrongs and injuries. Wiley is, therefore, entitled to a preliminary and permanent injunction restraining and enjoining defendants, their agents, servants, employees, and attorneys and all persons acting in concert with them from using the Wiley Trademarks or any colorable imitation of them, to restitution of defendants' ill-gotten gains, and to punitive damages in an amount to be determined by the trier of fact in this action.

WHEREFORE, plaintiff demands judgment:

A. Preliminarily and permanently enjoining defendants, their agents, servants, employees, and attorneys and all those acting in concert with them from infringing the Wiley Copyrights in violation of 17 U.S.C. § 501;

B. Awarding Wiley its damages or defendants' profits, or alternatively, at Wiley's election, statutory damages, as a result of defendants' willful infringement of the Wiley Copyrights;

C. Preliminarily and permanently enjoining defendants, their agents, servants, employees, and attorneys and all those acting in concert with them from infringing the Wiley Trademarks in violation of 15 U.S.C. § 1114(a);

D. Awarding Wiley its damages and/or defendants' profits from their willful infringement of the Wiley Trademarks pursuant to 15 U.S.C. § 1117(a);

E. Directing that defendants engage in such additional activities, including, but not limited to, recalls of products and corrective advertising, as may be necessary and appropriate to mitigate the damage defendants have caused;

F. Awarding Wiley its costs in this action, including its reasonable attorneys' fees pursuant 17 U.S.C. § 505 and 15 U.S.C. § 1117;

G. Awarding Wiley punitive damages in an amount to be determined by the trier of fact in this action; and

H. Granting such other and further relief as to this Court seems just and proper.

Dated: New York, New York
May 7, 2009

DUNNEGAN LLC

By /s/ William Dunnegan
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wd@dunnegan.com
Laura Scileppi (LS0114)
ls@dunnegan.com
Attorneys for Plaintiff
John Wiley & Sons, Inc.
350 Fifth Avenue
New York, NY 10118
(212) 332-8300

SCHEDULE A
"WILEY COPYRIGHTS"

Title	(Date of Registration)	(Registration #)
1.	Accounting Principles (July 13, 1987)	(TX-2-111-034)
2.	Applied Statistics and Probability for Engineers, Fourth Edition (August 25, 2006)	(TX-6-428-380)
3.	Basic Engineering Circuit Analysis, Eighth Edition (February 10, 2005)	(TX-6-118-290)
4.	Cell and Molecular Biology, Fourth Edition (August 11, 2004)	(TX-6-011-000)
5.	Control Systems Engineering, Fourth Edition (October 3, 2003)	(TX-5-800-945)
6.	Elementary Differential Equations and Boundary Value Problems, Eighth Edition (June 7, 2004)	(TX-5-981-457)
7.	Elementary Linear Algebra, Ninth Edition (February 24, 2005)	(TX-6-173-767)
8.	Engineering Fluid Mechanics, Eighth Edition (February 10, 2005)	(TX-6-120-490)
9.	Engineering Statistics, Third Edition (August 26, 2003)	(TX-5-796-705)
10.	Financial Accounting, Fifth Edition (February 24, 2005)	(TX-6-191-978)

11. Fundamentals of Heat and Mass Transfer, Sixth Edition (July 28, 2006) (TX-6-410-153)

12. Fundamentals of Machine Component Design, Fourth Edition (September 8, 2005) (TX-6-213-219)

13. Fundamentals of Modern Manufacturing: Materials, Processes and Systems, Third Edition (August 3, 2006) (TX-6-399-338)

14. Fundamentals of Physics: Part 1, Seventh Edition (February 4, 2004) (TX-5-914-662)

15. Heating, Ventilation, and Air Conditioning: Analysis and Design, Sixth Edition (September 7, 2004) (TX-6-008-606)

16. Information Technology for Management: Transforming Organizations in the Digital Economy, Fourth Edition (August 20, 2004) (TX-6-013-876)

17. Intermediate Accounting, Twelfth Edition (August 3, 2006) (TX-6-408-031)

18. Introduction to General, Organic and Biochemistry, Eighth Edition (September 29, 2004) (TX-6-032-003)

19. Introduction to Heat Transfer, Fifth Edition (August 14, 2006) (TX-6-407-668)

20. Introduction to International Economics (January 21, 2005) (TX-6-101-228)

21. Introduction to Statistical Quality Control, Fifth Edition (September 24, 2004) (TX-6-032-390)

22. Introductory Statistics, Sixth Edition (May 26, 2006) (TX-6-342-837)

23. Management, Eighth Edition (May 17, 2004) (TX-5-964-667)

24. Materials Science and Engineering: An Introduction, Seventh Edition (June 19, 2006) (TX-6-405-304)

25. Mechanics of Materials, Sixth Edition (June 19, 2006) (TX-6-368-212)

26. Microeconomics, Second Edition (February 10, 2005) (TX-6-118-288)

27. Microwave Engineering, Third Edition (March 12, 2004) (TX-5-939-958)

28. Organic Chemistry, Fourth Edition (April 19, 1989) (TX-2-544-723)

29. Pattern Classification, Second Edition (August 11, 2006) (TX-6-418-016)

30. Physics, Seventh Edition (July 20, 2006) (TX-6-416-266)

31. Principles of Genetics, Fourth Edition (December 9, 2005) (TX-6-287-790)

32. Separation Process Principles, Second Edition (November 22, 2005) (TX-6-275-447)

33. Transport Phenomena, Second Edition (October 11, 2001) (TX-5-459-935)

SCHEDULE B
"WILEY TRADEMARKS"

	U.S. Trademark	Registration Number	Class
1.	"JW" Colophon	2,168,941	009, 042
2.	"Wiley"	1,003,988	009, 016, 036, 038
3.	"Wiley"	2,159,987	009, 042

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 08 Civ. 7834 (DCP)

JOHN WILEY & SONS, INC.,

Plaintiff,

-against-

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99 and JOHN DOE NOS. 1-5,

Defendants.

William Dunnegan and Laura Scileppi for the Plaintiff

Sam P. Israel for the Defendant

JOINT PRE-TRIAL ORDER

At the pretrial conference held on October 22, 2009 before the Hon. Donald C. Pogue, and attended by counsel, the following matters were discussed and agreed to, and are hereby ORDERED:

1. General. The parties recognize that this joint pretrial order controls the subsequent

course of the action unless the order is modified by consent of the parties and the Court, or by order of the Court to prevent manifest injustice. The attached schedules, each on a separate sheet, are part of this order.

2. Parties and Counsel. Schedule A sets forth the names of all parties; the names, addresses and telephone numbers of their respective attorneys, and the names of trial counsel for each party.

3. Jurisdiction. Schedule B-1 sets forth the statutes, legal doctrines, and facts upon which Plaintiff claims jurisdiction. Schedule B-2 indicates which of these, if any, are contested.

4. Uncontested Facts. All material facts that are without substantial controversy are set forth in Schedule C (in the form required by Rule 56). Material facts that are actually and in good faith controverted and which a party intends to establish at trial, are separately listed in Schedules C-1 and C-2. Facts not included in these schedules may not be established at trial.

5. Claims and Defenses. The parties' claims and defenses are separately listed in Schedule D-1 and D-2.

6. Damages and Other Relief. Claims with respect to damages and other relief sought by

each party are detailed in Schedules E-1 and E-2.

7. Waiver of Claims. The parties waive all claims with respect to liability, damages, and other relief and all affirmative defenses which are not set forth in Schedules D and E.

8. Triable Issues. Schedules F-1 and F-2 set forth and separately number the issues of the case, without simply restating the disputed facts. All legal issues are to be addressed prior to the commencement of the trial. Schedules F-3 and F-4 set forth the position of the parties on the applicability of 17 U.S.C. § 109.

9. Witnesses. Schedules G-1 and G-2 list for the respective parties the witnesses they will or will probably call to testify at the trial, setting forth for each witness (a) name, (b) address, (c) a summary of expected testimony, and, for expert witnesses, (d) a curriculum vitae, (e) the area of expertise, and (f) the basis upon which the proposing party claims said testimony to be reliable. Once the trial commences, no interruption in the testimony will be permitted. Any objection to a witness, and the grounds therefore, must be separately stated as Objections to Schedule G-1 and G-2.

10. Deposition Testimony. The court notes that no party proposes to use deposition testimony as evidence on direct presentation

of its case. Accordingly, such use shall not be permitted.

11. Exhibits. Schedules H-1 and H-2 list for the respective parties the exhibits to be offered in evidence by that party. Each list shall identify and describe each exhibit. Plaintiff's exhibits shall be identified by numbers, Defendant's by letters. The parties recognize that they will not be allowed to use at trial any exhibits or witnesses not identified in this joint pretrial order except upon prompt notice to all parties and to the Court, and upon a showing of good cause.

12. Objections to Exhibits. Schedules I-1 and I-2 list for the respective parties each adversary's exhibits whose authenticity or admissibility arc contested. The parties shall state the specific ground for objection to each contested exhibit listed therein.

13. Discovery. All discovery is complete. Undisclosed discovery which surfaces during trial will be deemed untimely and subject to the sanction of exclusion or imposition of a monetary fine, or both.

14. Jury Trial. The case will be tried to a jury. The jury trial is applicable to all aspects of the case.

Additional Filing Prior to Trial in Jury Cases. As the parties have filed proposed jury instructions, the court will, prior to the

pretrial conference, provide the parties with draft jury instructions. The parties shall be prepared to discuss these instructions at the pretrial conference. This paragraph does not preclude supplemental requests for additional instructions during the course of trial or at the conclusion of the evidence on matters that cannot reasonably be anticipated unless the Court has directed otherwise, and provided that no request to charge shall be accepted unless made and submitted to the Court twenty-four (24) hours in advance of the time that summation commences.

15. Pretrial Legal Memoranda. Not fewer than seven (7) days before the trial, each counsel shall provide the Court with memoranda of law containing a discussion of any unresolved issue not fully addressed prior to the pretrial conference.

16. Trial Time. The trial will take approximately 2 days.

Dated: New York, New York
October 28, 2009

DUNNEGAN LLC

By /s/ William Dunnegan
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Laura Scileppi (LS0114)

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By /s/ Sam P. Israel
Sam P. Israel (SPI0270)
Attorney for Defendant
Supap Kirtsaeng
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Fax: 212-201-5343

SO ORDERED:

/s/ Donald C. Pogue
Donald C. Pogue

Schedule A
Trial Counsel

A-1 Counsel for Wiley

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Schedule B
Statement of Jurisdiction

B-1. Wiley's Statement of Jurisdiction

This Court has subject matter jurisdiction over Wiley's copyright infringement claim in this action pursuant to 28 U.S.C. § 1331 because it arises under the Copyright Act, 17 U.S.C. § 101 et seq.

B-2. Kirtsaeng's Statement of Jurisdiction

The Defendant acknowledges that the Plaintiff purports to bring claims under the statutes cited and refers the issue of whether the Court has subject matter jurisdiction to the Court for its determination.

Schedule C
Uncontested Facts

A. The Defendant moved to the United States from Thailand in approximately 1997 to pursue a Bachelor of Science degree in mathematics at Cornell University; four years later he was awarded his degree.

B. At all times, of the Wiley textbooks the Defendant has sold, the Defendant has received and sold only Wiley textbooks printed abroad by the Plaintiff' s authorized Asian subsidiary, Wiley Asia ("Foreign Editions"). The Defendant then sold these Foreign Editions over the internet at lower prices than the prices at which Wiley sells its textbooks.

C. Kirtsaeng did not personally bring books from overseas into this country; they were shipped to California *via* UPS express and ocean freight, as directed, by friends and family (who he would later reimburse from sales he would make on eBay). All of the books sold by the Defendant had notices stating that the books are copyrighted in the United States.

D. Wiley owns the following United States copyrights for the following works ("Wiley Copyrights"), for which it has received the following Certificates of Registration from the United States Registrar of Copyrights on the following dates:

Title
Date of Registration
Registration Number
Edition Number

Accounting Principles
July 13, 1987
TX-2-111-034
First Edition

Fundamentals of Heat and
Mass Transfer
July 28, 2006
TX-6-410-153
Sixth Edition

Fundamentals of Physics:
Part 1,
September 17, 2007
TX-6-827-902
Eighth Edition

Information Technology
for Management
August 20, 2004
TX-6-013-876
Fourth Edition

Introduction to Heat Transfer
August 14, 2006
TX-6-407-668
Fifth Edition

Management
May 17, 2004
TX-5-964-667
Eighth Edition

Materials Science and Engineering:
An Introduction
June 19, 2006
TX-6-405-304
Seventh Edition

Organic Chemistry
April 19, 1989
TX-2-544-723
Fourth Edition

E. Kirtsaeng made sales of the following Foreign Editions after the date of registration of the U.S. copyright, as his PayPal records evidence:

Title	PayPal Account
Date of Registration	Date of Sale
Registration Number	Row Number
Edition Number	Edition Number
Accounting Principles	Trans. Log 2
July 13, 1987	December 23, 2007
TX-2-111-034	20719
First Edition	Eighth Edition
Fundamentals of Heat and Mass Transfer	Trans. Log 2
July 28, 2006	December 26, 2007

TX-6-410-153 Sixth Edition	20594 Sixth Edition
Fundamentals of Physics: Part 1, September 17, 2007 TX-6-827-902 Eighth Edition	Trans. Log 2 August 16, 2008 11624 Eighth Edition
Information Technology for Management August 20, 2004 TX-6-013-876 Fourth Edition	Trans. Log 2 July 5, 2007 25155
Introduction to Heat Transfer August 14, 2006 TX-6-407-668 Fifth Edition	Trans. Log 2 December 28, 2007 20373 Fifth Edition
Management May 17, 2004 TX-5-964-667 Eighth Edition	Trans. Log 2 January 5, 2009 4417 Ninth Edition
Materials Science and Engineering: An Introduction June 19, 2006	Trans. Log 2 August 5, 2007

TX-6-405-304	24870
Seventh Edition	
Organic Chemistry	Trans. Log 2
April 19, 1989	May 21, 2008
TX-2-544-723	13792
Fourth Edition	Ninth Edition

F. The Wiley textbooks at issue here, which the Defendant has received and sold, are only Wiley textbooks originally acquired from the foreign copyright owner, namely John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), and bear a U.S. copyright notice.

G. The books sold by the Defendant were manufactured in accordance with a Reprint Agreement whereby the Plaintiff assigned to Wiley Asia the rights to publish, manufacture, and sell certain of its copyrighted works. There is no claim here that these were counterfeit books.

H. The Foreign Editions state on the back cover:

> "Authorized for sale in Europe, Asia, Africa and the Middle East Only. This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The

> Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required."

I. Direct evidence demonstrates that Kirtsaeng received $37,000 in revenue from the sale of Foreign Editions of the eight (8) Wiley works that are the subject of the trial.

J. Kirtsaeng made 625 additional sales, during the years 2006 through 2009, of the following titles:

Accounting Principles – 90 sales

Fundamentals of Heat and Mass Transfer – 93 sales

Fundamentals of Physics: Part 1 – 43 sales

Information Technology for Management – 101 sales

Introduction to Heat Transfer – 87 sales

Management – 60 sales

Materials Science and Engineering: An Introduction – 41 sales

Organic Chemistry – 110 sales

C-1. Wiley's Disputed Material Facts

1. Wiley did not consent to the importation into, or sale in, the United States of any of the infringing books that are the subject of this case.

2. Kirtsaeng had additional revenue from the sale of copies Wiley's copyrighted works which he did not disclose in discovery.

3. Kirtsaeng has provided incomplete evidence of his expenses of his infringing sales.

4. Kirtsaeng's infringements were willful. In addition to seeing the warnings on the books, Kirtsaeng continued to sell infringing Foreign Editions of Wiley's books after notice of this action, and used fraudulent identities to open online accounts.

5. Kirtsaeng continues to fail to tell the truth about whether he knew that his sales of the Foreign Editions were unlawful.

6. Because Kirtsaeng has not complied with Wiley's document requests in good faith, Wiley cannot determine the full amount of Kirtsaeng's sales. Kirtsaeng provided incomplete records for some accounts. Kirtsaeng held his accounts in false names, and could have additional accounts in false names.

7. Kirtsaeng moved his profits from his infringing sales to accounts in foreign banks to attempt to avoid being held accountable for his unlawful actions.

8. Kirtsaeng routinely sold foreign editions of the works of other copyrights owners, for which he has not been, and may never be, held accountable.

C-2. Kirtsaeng's Disputed Material Facts

1. The Defendant sold text books to pay for his education at the University of Southern California.

2. Before selling any books in the US, the Defendant researched the legality of selling books manufactured overseas in the US; in this process, the Defendant obtained an opinion stating unequivocally that such sales would comport with US copyright law.

3. All of the books sold by the Defendant had notices stating that the books are copyrighted in the United States by Wiley.

4. The Wiley books sold by the Defendant and published by Wiley Asia had the exact same content and were of "comparable quality and appearance" as the version published in the United States.

5. The inside flaps of the Wiley books sold by the Defendant state that their copyright is owned by Wiley Asia.

6. Wiley made profits equal to 10% on the sales of books purchased by the Defendant for resale in the United States.

Schedule D
Claims and Defenses

D-1. Wiley's Claims

a. Wiley has asserted a claim for copyright infringement under 17 U.S.C. § 501.

b. Wiley has asserted trademark infringement and unfair competition claims, which it hereby voluntarily dismisses.

D-2. Kirtsaeng's Defenses

a. As to the Issue of Infringement:

Schedule E
Damages and Other Relief

E-1. Wiley's Statement

Wiley seeks statutory damages pursuant to 17 U.S.C. § 504(c). The Jury should award statutory damages between (i) $6,000, representing the infringement of 8 works at $750 per work, and (ii) $1,200,000 representing the infringement of 8 works at $150,000 per work.

Wiley also seeks its costs in this action, including reasonable attorneys' fees, pursuant to 17 U.S.C. § 505. The Court should determine those amounts after the verdict.

In addition, Wiley seeks a permanent injunction under 17 U.S.C. § 501.

E-2. Kirtsaeng's Statement

1. Absence of Willfulness

Under the Copyright Act, a plaintiff may receive up to $150,000 in statutory damages only if "the infringement was committed willfully." 17 U.S.C. § 504(c)(2). Assuming that there were infringements—clearly the Defendant did not willfully infringe any of Wiley's copyrights as is evidenced by research materials produced to the Plaintiff (which support the Defendant's understanding his sales were in accordance with and not violations of US copyright laws) and by the fact that he openly identified the books he was selling as foreign editions.

> In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $ 200.

17 USCS § 504 (emphasis added). See Island Software & Computer Serv. v. Microsoft Corp., 413 F.3d 257, 263 (2d Cir. 2005)("To prove 'willfulness' under the Copyright Act, the plaintiff must show (1) that the defendant was actually aware of the infringing activity, or (2) that the defendant's actions were the result of "reckless disregard" for, or 'willful blindness' to, the copyright holder's rights.") (citing In re Aimster Copyright Litigation, 334 F.3d 643, 650 (7th Cir. 2003); Lipton v. Nature Co., 71 F.3d 464, 472 (2d Cir. 1995); N.A.S. Import Corp. v. Chenson Enters., Inc., 968 F.2d 250, 252 (2d Cir. 1992); Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101, 112 (2d Cir. 2001).

2. Equitable Consideration in An Assessment of Statutory Damages

Even beyond the issue of willfulness (a finding plainly not available on the facts before the Court), "[t]he court has wide discretion in determining the amount of statutory damages to be awarded, constrained only by the specified maxima and minima." Columbia Pictures Television v. Krypton Broad., 106 F.3d 284, 296 (9th Cir. 1997); see also Shapkin/Crossroads Prods. v. Legacy Home Video, 1997 U.S. App. LEXIS 23175 (9th Cir. Cal. Aug. 29, 1997). Here, the Court should, within its discretion, opt for the minimum amount of statutory damages in that, at best, the issue of infringement is a *close call*, and not one readily apparent to the legal community, no less to an untrained foreign student who conducted due diligence into the legality of his anticipated sales and was assured of their propriety under existing law.

A further equitable consideration is the fact that the Plaintiff made sales on each of the books purchased for resale by the Defendant.

Based upon the foregoing, any statutory award should be limited to $6,000.

Finally, the fact that the Defendant fully disclosed that he was selling foreign editions of the books evidences clean hands; i.e, he was not seeking to pass off the foreign manufactured books as US made volumes. The Defendant

submits that this, too, favors a minimal measure of statutory damages.

Schedule F
Triable Issues

F-1. Wiley's Statement of Triable Issues

By The Jury

1. Did Kirtsaeng infringe the Wiley Copyrights by selling in the United States, without permission, copies of Wiley's Foreign Editions?

2. Did Kirtsaeng willfully infringe each of the Wiley Copyrights?

3. What amount of statutory damages should Wiley be awarded for Kirtsaeng's acts of copyright infringement for each of Wiley's Copyrights?

By The Court

4. Should the Court enjoin Kirtsaeng from further infringing Wiley's copyrights?

5. Should the Court award Wiley its costs, including reasonable attorneys' fees?

6. Does 17 U.S.C. § 109 apply to books printed outside of the United States with the authority of the United States copyright owner, but imported into the United States without the permission of the United States copyright owner?

F-2. Kirtsaeng's Triable Issues

1. Should the Defendant be found to have willfully infringed the Plaintiff's copyrights where

he conducted research on the importation issue and his research specifically indicated that his sales would not comprise infringement?

Schedule G
List of Witnesses

1. Wiley's Witnesses

Patrick Murphy
John Wiley & Sons, Inc.
111 River Street
Hoboken, New Jersey 07030-5774

Wiley expects to call Patrick Murphy to testify about the business of Wiley, Wiley's copyrights, Wiley's printings of books for different parts of the world, Wiley's copyright enforcement program and Wiley's investigation of Kirtsaeng.

Supap Kirtsaeng
3637 Mentone Avenue, Apartment 3
Los Angeles, California 90034

Wiley expects to call Kirtsaeng to testify as to all matters constituting, referring, or relating to this action, including his education, his infringing sales of Wiley's copyrighted textbooks, his business of selling books, and his state of mind concerning the legality of his sales of Wiley's books printed outside of the United States and imported without Wiley's consent.

2. Kirtsaeng's Objections to Wiley's Witnesses

Defendant reserves his right to object to the appearance of Gervaise Mourlet as a witness at trial.

3. Kirtsaeng's Witnesses

Defendant expects to call the following witnesses:

Patrick Murphy

Defendant expects to call Patrick Murphy to testify about the assignment of Wiley's copyrights to other companies abroad, Wiley's profits on sales of foreign editions and other aspects of Wiley's international business affairs.

Supap Kirtsaeng

Defendant expects to call Mr. Kirtsaeng, among other things, to testify concerning the efforts he had undertaken to ensure that his sales of foreign books in the United States would be lawful.

4. Wiley's Objections to Kirtsaeng's Witnesses

Wiley believes that each witness should take the stand only once and that objections as to the scope of cross-examination should be waived.

Defendant presses his right to call witnesses independently.

Schedule H
Exhibits

H-1. Wiley's Exhibits

TX	DX	Bates	Date	Description
1		1-2	7/13/87	Copyright Certificate for Accounting Principles
2		21-22	7/28/06	Copyright Certificate for Fundamentals of Heat and Mass Transfer
3		27-29	9/17/07	Copyright Certificate for Fundamentals of Physics—Part 1
4		33-34	8/20/04	Copyright Certificate for Information Technology for Management
5		39-40	8/14/06	Copyright Certificate for Introduction to Heat

			Transfer
6	45-46	5/17/04	Copyright Certificate for Management
7	47-48	6/19/06	Copyright Certificate for Materials Science and Engineering: An Introduction
8	55-56	4/19/89	Copyright Certificate for Organic Chemistry
9		undated	United States Edition of Accounting Principles
10		undated	Foreign Edition of Accounting Principles
11		undated	United States Edition of Fundamentals of Heat and Mass Transfer

12	undated	Foreign Edition of Fundamentals of Heat and Mass Transfer
13	undated	United States Edition of Fundamentals of Physics
14	undated	Foreign Edition of Fundamentals of Physics
15	undated	United States Edition of Information Technology for Management
16	undated	Foreign Edition of Information Technology for Management
17	undated	United States Edition of Introduction to Heat Transfer
18	undated	Foreign Edition of Introduction to Heat

			Transfer
19		undated	United States Edition of Management
20		undated	Foreign Edition of Management
21		undated	United States Edition of Materials Science and Engineering: An Introduction
22		undated	Foreign Edition of Materials Science and Engineering: An Introduction
23		undated	United States Edition of Organic Chemistry
24		undated	Foreign Edition of Organic Chemistry
25-32	unused		
33	B	3/13/09	Kirtsaeng's response to Wiley's

			Document Requests
34	G	9/8/08	eBay auction listing [the extent of inclusion of eBay records is not resolved.]
35	H	9/8/08	eBay auction listing
36	I	9/8/08	eBay auction listing
37	J	9/8/08	eBay feedback
38	K	4/22/09	eBay items for sale
39	L	4/22/09	eBay auction listing
40	M	4/22/09	eBay auction listing
41	N	4/22/09	eBay feedback
42	O	4/22/09	eBay feedback
43	P	4/22/09	eBay feedback
44	Q	4/22/09	eBay feedback
45	R	4/22/09	eBay feedback
46	S	8/28/08	PayPal receipt of Mourlet

47	T	8/28/08	Gmail receipt of Mourlet
48	U	9/2/08	PayPal receipt of Mourlet
49	V	9/2/08	Package label sent from Kirtsaeng to Mourlet
50	W	undated	Foreign Edition of Management
50A	W	undated	Foreign Edition of Management 3-Page Photocopy
51	X	undated	Foreign Edition of Materials Science and Engineering 2-Page Photocopy
52	Y	undated	Foreign Edition of Introduction to Heat Transfer 2-Page Photocopy
53	Z	undated	Foreign Edition of Accounting Principles 1-Page Photocopy

54	AA		undated	Foreign Edition of Physics 1-page Photocopy
55	AB		undated	Foreign Edition of Fundamentals of Heat and Mass Transfer 1-Page Photocopy
56	AC		undated	Foreign Edition of Information Technology for Management 1-Page Photocopy
57	AH		undated	Kirtsaeng's disclosed sales
58	AI		undated	PayPal transaction log [excluded subject to a claim for use in rebutting Kirtsaeng's claim of lack of means, if any.]
59	AJ	PP1	4/20/09	Declaration of Melody Fry
60	AJ	PP2	4/17/09	Declaration of

				Melody Fry
60A		PP4	7/14/09	Declaration of Stephanie Vigil
61	AJ	PP3	4/28/09	Letter from Melody Fry
62				PayPal CD-Rom [excluded subject to a claim for use in rebutting Kirtsaeng's claim of lack of means, if any.]
63	AK		4/17/09	PayPal FIT Pages [excluded subject to a claim for use in rebutting Kirtsaeng's claim of lack of means, if any.]
64	AL		undated	Reduced PayPal Transaction Log [excluded subject to a claim for use in rebutting Kirtsaeng's claim of lack of means, if

				any.]
65	AO	E3-E9	4/20/09	Declaration of Janet M. Wagner [excluded subject to a claim for use in rebutting Kirtsaeng's claim of lack of means, if any.]
66	AP		undated	eBay Registration Form
67				eBay CD-Rom
68			undated	Copyright Registration Sales Chart (Rule 1006)

H-2. Kirtsaeng's Exhibits

1. Google search results and blog on the issue of the legality of selling books published overseas in the United States.

2. Covers of Foreign Editions and copyright notice pages of Foreign Editions.

3. English Language Reprint Agreement between Wiley and Wiley India dated May 1, 2006 and bearing bates nos. 000573-585.

4. Plaintiff's pleadings, legal memoranda and discovery responses.

Schedule I
Objections to Exhibits

I-1 Kirtsaeng's Objections to Wiley's Exhibits

Exhibit 34. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 35. Defendant's Objection to Use at trial: Hearsay and authentication,

Exhibit 36. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 37. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 39. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 40. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 41. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 42. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 43. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 44. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 45. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 46. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 47. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 48. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 58. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 59. Defendant's Objection to Use at trial: Hearsay.

Exhibit 60. Defendant's Objection to Use at trial: Hearsay.

Exhibit 60A. Defendant's Objection to Use at trial: Hearsay.

Exhibit 61. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 62. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 63. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 64. Defendant's Objection to Use at trial: Hearsay and authentication.

Exhibit 65. Defendant's Objection to Use at trial: Hearsay.

Exhibit 67. Defendant's Objection to Use at trial: Hearsay and authentication.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 08 Civ. 7834 (DCP)

JOHN WILEY & SONS, INC.,

Plaintiff,

- v. -

SUPAP KIRTSAENG, d/b/a BLUE CHRISTINE 99, et al.,

Defendants.

JURY TRIAL

Before:

HON. DONALD C. POGUE
District Judge

New York, N.Y.
November 3, 2009
9:30 a.m.

JURY INSTRUCTIONS ON UNCONTESTED FACTS

* * * *

[11:13 – 15:1]

[11] Also, you need to know that some of the facts related to this matter are uncontested. I am now going to give you and read to you a copy of those uncontested facts. You are to treat this statement just like any other evidence in the trial, as if it were statements of witnesses, and evaluate it just as you would any other statement. If you will follow along with me.

"First, it is uncontested that the defendant moved from the United States from Thailand in approximately 1997 to pursue a Bachelor of Science degree in mathmatics at Cornell University and that four years later he was awarded his degree.

"Second, the defendant did not personally bring books from overseas into this country. They were shipped to [12] California via UPS express and ocean freight as directed by friends and family, whom he would later reimburse for sales he would make on eBay.

"Third, at all times, of the Wiley textbooks the defendant has sold, the defendant has received and sold only Wiley textbooks printed abroad by the plaintiff's authorized agent subsidiary Wiley Asia. The defendant then sold these foreign editions over

the Internet at lower prices than the prices at which Wiley sells its textbooks.

"Fourth, Wiley owned the United States copyrights for the following works for which it has received certificates of registration from the United States registrar of copyrights on the following dates." As you can see, Accounting Principles, and that's the date of registration, Fundamentals of Physics Part I, Information Technology for Management, Introduction to Heat Transfer, Management, Materials Science & Engineering, Organic Chemistry.

"Fifth, defendant Kirtsaeng made sales of the following foreign editions after the date of registration of the U.S. copyright, as his PayPal records evidence." You can see the list there:

For Accounting Principles there is the date of the registration of the copyright, and on the right-hand column the date of sale in the PayPal account;

In the left-hand column for Fundamentals of Heat and [13] Mass Transfer, in the right-hand column transaction;

In the left-hand column Fundamentals of Physics Part I, in the right-hand column a transaction;

In the left column Information Technology for Management, in the right-hand column a transaction;

In the left-hand column Introduction to Heat Transfer, in the right-hand column a transaction;

In the left-hand column Management, in the right-hand column a transaction;

In the left-hand column Materials Science & Engineering: An introduction, and in the right-hand column a transaction; and

In the left-hand column Organic Chemistry, and in the right-hand column a transaction.

"Sixth, Kirtsaeng made 625 additional sales during the years 2006 through 2009 of the following titles:

90 sales of Accounting Principles;

93 sales of Fundamentals of Heat & Mass Transfer;

43 sales of Fundamentals of Physics;

101 sales of Information Technology for Management;

87 sales of Introduction to Heat Transfer;

60 sales of Management;

41 sales of Materials Science & Engineering: An Introduction; and

110 sales of Organic Chemistry.

[14] "Seventh, the Wiley textbooks at issue here which the defendant has received and sold are only Wiley textbooks originally acquired from the foreign copyright owner, namely, John Wiley & Sons Asia

Ltd., who we will refer to as "Wiley Asia," and they bear a U.S. copyright notice.

"Eighth, the books sold by the defendant were manufactured in accordance with a reprint agreement whereby the plaintiff assigned to Wiley Asia the rights to publish, manufacture, and sell certain of its copyrighted books. There is no claim here that these were counterfeit books.

"Ninth, the foreign editions state on the back cover 'Authorized for sale in Europe, Asia, Africa, and the Middle East only. This book is authorized for sale in the Europe, Asia, Africa, and the Mid East only and may not be exported. Exportation from or importation of this book to another region without the publisher's authorization is illegal and is a violation of the publisher's rights. The publisher may take legal action to enforce its rights. The publisher may recover damages and costs, including but not limited to lost profits and attorney's fees in the event legal action is required.

Tenth, direct evidence demonstrates that Kirtsaeng received $37,000 in revenue from the sale of foreign editions of the eight Wiley works that are the subject of this trial."

Now may I ask you to please return these copies that you have just read. They will be available to you in jury [15] deliberations when we get to that stage.

TESTIMONY EXCERPTS OF PATRICK MURPHY

* * * *

[33:2 – 33:13]

[33] Q. Can you please look specifically at Exhibit 12, and can you tell me where that book is authorized to be sold.

A. As I said before, the banner on this one says, "Authorized for sale in Asia only."

Q. If I ask you the same question for Exhibits 18 and 22, would you give me the same answer?

A. Yes, I would.

Q. Are these eight books foreign editions?

A. Yes, these are.

Q. How do the United States editions and the foreign editions generally compare in terms of content?

A. Contentwise, they are generally the same.

* * * *

[40:3 - 47:1]

[40] Q. Have you ever seen that document before?

A. Yes, I have.

Q. What is it?

A. It's an English language reprint agreement.

Q. Is this the agreement that covers the publication of the volumes we have been discussing, the Asian volumes we have been discussing so far overseas?

A. No, it isn't

Q. Where is that agreement?

A. There is no agreement governing these books, a written agreement like this.

Q. So there is no contract that governs them?

A. There is no written agreement, no.

Q. What is there?

A. These books are published by John Wiley & Sons Asia Pte. Ltd., which is a wholly owned subsidiary of John Wiley & Sons, Inc. Because it is a wholly owned subsidiary, we never formalized the relationship between Wiley, Inc. and Wiley Asia for distributing these books.

Q. So there is no written agreement that restricts the distribution of those books by the overseas publisher, is that what you are saying?

A. There is no formal license agreement. It's just a general [41] business practice.

Q. Just a practice?

A. Correct.

Q. What does this agreement, Exhibit C, Defendant's Exhibit C, refer to?

A. This is referring to books published by our Wiley India Pvt. Ltd. division. They also publish a different type of international edition, foreign edition of this book.

Q. Would those be the books that say in them the copyright is for Wiley – what's the name of it, Wiley India, Pvt. Ltd.? Would those be books that are subject to this agreement?

A. They would be books published by Wiley India, which are not a part of this case and we didn't bring any examples of those.

Q. If I were to show you documents that have been a part of this case were it says "copyright" and it says "Wiley India Pvt. Ltd.," it's your testimony that they are not meant to be a part of the case?

MS. SCILEPPI:

Objection.

THE COURT:

Overruled.

A. I would have to see the documents. What I have answered so far is this document that you

handed me, which is Defendant's Exhibit C, does not refer to the foreign editions of the books we have been talking about.

Q. Hasn't been?

A. It's for a different type of foreign edition.

[42] Q. Hang on a minute. I'm going to show you something else. I'm going to ask the case management officer -- is that what we are talking about? case management expert? -- to hand you what was Defendant's Exhibit 2 and is now Defendant's Exhibit B. I'd like you to turn to the first page, where it says, "Authorized for sale in Asia only." Do you see that?

A. Yes, I do.

Q. Is that one of the volumes that is subject to the informal arrangement or is that subject to the document I showed you before, Defendant's Exhibit C?

A. I believe Defendant's Exhibit B is a photocopy of Plaintiff's Exhibit 22, the cover.

Q. So this isn't subject to the agreement that is Exhibit C, the Wiley & Sons Asia Pvt. Ltd. agreement?

A. I'm sorry. I described this as the Wiley India Pvt. agreement.

Q. So there is another agreement?

A. This is the only agreement that you have asked about so far today.

Q. Is this book subject to that agreement?

A. This book, Plaintiff's Exhibit 22, is not subject to this agreement.

Q. If you would turn to the page that bears the Bates number 002037, the second page of that exhibit.

A. OK.

[43] Q. What is that document? What does that consist of?

A. This is the copyright page, similar to what I showed the jury earlier from the book examples.

Q. You see there is a company there, listed there, correct?

A. Yes.

Q. What company is that?

A. John Wiley & Sons Asia Pte. Ltd.

Q. I see. So this company is just an affiliate of Wiley?

A. John Wiley & Sons Asia Pte. Ltd. is a wholly owned subsidiary of Wiley.

Q. It's that company that doesn't have a formal agreement with Wiley, correct?

A. Yes. To the best of my knowledge, we do not have a formal written agreement with Wiley Asia for these books.

Q. I got it. Bear with me for one second. Let me tell you why I'm still having trouble with this, and maybe you can help me. If you look at Defendant's Exhibit C, the reprint agreement, it refers specifically to reprint agreements between John Wiley & Sons Asia Pvt. Ltd. Do you see that?

A. Which particular clause and page are you referring to?

Q. It's clause number 1 in Exhibit C.

A. Mm-hm.

Q. There is a reference there, is there not, to Wiley and John Wiley & Son Asia Pvt. Ltd.?

A. You're referring to the first sentence?

[44] Q Yes.

A. Can you repeat the question, please?

Q. There is a reference there as a party to this agreement, John Wiley & Sons Pvt. Ltd.

A. Not in that sentence there isn't, no.

Q. What am I missing? It says the titles listed on schedule A are subject to various reprint agreements between Wiley and John Wiley & Sons Asia Pvt. Ltd.

A. That's Pte Ltd.

Q. I see. So the difference is that it is Pte. rather than Pvt.?

A. I think it would be useful if I could explain at this point to the jury, Wiley Asia is Pte., Peter Thomas Edward, Ltd. Wiley India is Pvt., Peter Victor Thomas, Ltd.

Q. Right. Except that if you look at the document we have been talking about, the book and the copyright notice in it, it says Pte. Ltd.

A. That's correct.

Q. And this agreement Exhibit C says Pte. Ltd.

A. Pte. Ltd. is mentioned in this agreement. However, the agreement, Defendant's Exhibit C, if I can take the opportunity to read the very beginning of it, it says, "John Wiley & Sons International Rights Incorporated, a wholly owned subsidiary company of John Wiley & Sons, Inc., English language reprint agreement. Agreement made this 30th day of March 2007 and [45] effective from May 1, 2006, between John Wiley & Sons International Rights, Inc. of 111 River Street, Hoboken, New Jersey, USA, and Wiley India Pvt. Ltd. 44357 Ansari Road, New Delhi, India." Those are the parties of this agreement.

Q. Right. If you read beneath that, it says, "The titles listed on Schedule A are the subject of reprint agreements between John Wiley & Sons Asia Pte. Ltd." It's referring to agreements there.

A. Correct. But the agreement itself is between Wiley and Wiley India, not Wiley Asia.

Q. It says that those agreements limit the areas to Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, and Vietnam. Doesn't it say that?

A. Yes, it does say that in the agreement: India, Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, and Vietnam.

Q. So in talking about the geographical restrictions set forth in Exhibit C, those geographical restrictions would apply to any of the books that contain a copyright notice for John Wiley & Sons Asia Pte. Ltd., would they not?

A. I would not make that assumption automatically, no.

Q. Do you know the answer to it?

A. Could you please repeat the question?

Q. The books that have the copyright notice for John Wiley & Sons Asia Pte. Ltd., would they or would they not be subject to [46] the geographical restrictions contained in Defendant's Exhibit letter C?

A. No, they wouldn't.

Q. They wouldn't?

A. No.

Q. Why it that?

A. Because Wiley India, as I said, is a separate division of Wiley. We publish a foreign edition of the book through our Wiley India office, and the rights that are being given to Wiley India in this license are for the geographic area that Wiley India services rather than Wiley Asia in total.

Q. That't not what it says. Look, it doesn't make sense to debate it, but that's not what is says.

MS. SCILEPPI:

Objection.

Q. We'll leave it for the jury to decide. Let me move on. Isn't it the fact that all of the books that are sold by Mr. Kirtsaeng, Wiley made a profit on all of those sales?

A. Are you referring to the foreign editions of the text?

Q. Yes.

A. Yes, Wiley the company did make a profit on those.

Q. Just to be clear, every book that Mr. Kirtsaeng sold you made a profit?

A. Wiley made a profit, correct.

Q. Do you know how much of a profit it made on each of those sales?

[47] A. No, I don't.

TESTIMONY EXCERPTS OF SUPAP KIRTSAENG

* * * *

[55:1 - 58:22]

AFTERNOON SESSION

1:00 p.m.

[55] (Jury present)

THE COURT:

Mr. Dunnegan, do you want to continue?

MR. DUNNEGAN:

Your Honor, we would like to call Supap Kirtsaeng, the defendant.

SUPAP KIRTSAENG,

called as a witness by the plaintiff,

having been duly sworn, testified as

follows:

THE CLERK:

Will you please state your full name and address for the record.

THE WITNESS:

My name is Supap Kirtsaeng. My address is 3720 Cardiff Avenue, apartment number 1, Los Angeles, California, 90034.

DIRECT EXAMINATION
BY MR. DUNNEGAN:

Q. Mr. Kirtsaeng, you're the defendant in this case, right?

A. That's correct.

Q. You are originally from Thailand?

A. Yes.

Q. You came to the United States in about 1997, right?

A. That's correct.

Q. You received, after you came to the United States, an undergraduate degree from Cornell University, right?

A. That's correct.

[56] Q. Currently you live in Los Angeles?

A. Yes.

Q. You currently are a graduate student at the University of Southern California in Los Angeles?

A. That's correct.

Q. You expect to graduate in December of this year, right?

A. Yes.

Q. That's six weeks or so from now?

A. Mm-hm.

Q. When you do graduate from the University of Southern California, you expect to receive a Ph.D, correct?

A. That's correct.

Q. That Ph.D will be in the field of mathematics, correct?

A. That's correct.

Q. After you receive your degree in mathematics from the University of Southern California, you plan to go back to your homeland of Thailand, correct?

A. Yes, that's correct.

Q. You plan to teach there at a university, correct?

A. Yes, that's my plan. It's actually also my obligation. I received a scholarship from the Thai government to study here, so I have to pay back by teaching in Thailand for ten years

Q. The scholarship you received from the Thai government was to pay for your undergraduate education, right?

A. That's correct.

[57] Q. You plan to fulfill your commitment by teaching for ten years at a Thai university?

A. Yes.

Q. I'm going to ask you some questions about selling books, OK?

A. OK?

Q. Until earlier this year, you sold books, right?

A. Yes.

Q. You sold books for the purpose of making money, right?

A. Yes.

Q. Is it fair to say that you were in the book-selling business?

MR. ISRAEL:

Objection, your Honor.

THE COURT:

Overruled.

A. Yes, that's a fair thing to say.

Q. Did you start your book-selling business in about 2006?

A. That's correct.

Q. Since 2006 until you stopped, you operated a retail bookstore on the Internet, correct?

A. I'm not sure what you mean by a retail bookstore.

Q. You sold books through eBay, right?

A. Yes.

Q. As part of eBay, you had what's known as an online store on eBay, right?

A. Yes. Sometimes I do have that online store, sometimes I [58] didn't open the store.

Q. I'm sorry, sir, I didn't hear you.

A. Sometimes they have the store open, but sometimes they don't. The problem is that you have to pay some fee to open the store, and it's actually substantial. So part of the time I don't operate the stores. But I do have other things.

Q. In addition to the store on eBay that you operated from time to time, you had individual auction listings on eBay, too, right?

A. Yes.

Q. Those were to sell individual copies of books, right?

A. That's correct.

Q. Almost all the books you sold were textbooks of some sort, right?

A. Yes, that's correct.

Q. You had about 500 different titles that you sold, right?

A. Yes.

Q. Almost all the textbooks that you sold had been imported to the United States, right?

A. That's correct.

Q. Some of those were Wiley textbooks, right?

A. That's right.

* * * *

[67:23 - 69:2]

[67] Q. When you sold that book, you were in California?

A. Yes.

Q. The people that you sold it to were located throughout the [68] United States?

A. Yes.

Q. Now, sir, putting all eight titles together, you sold approximately 632 of those eight titles, right?

A. Yes.

Q. For those eight titles, you took in revenue about $37,000, correct?

A. That's correct?

Q. Now I'm going to ask you some questions about the importation of books into the United States. OK?

A. OK.

Q. Except for about ten books that you bought on Amazon and later resold, the books that you sold on the Internet were shipped to you in California, right?

A. That's correct.

Q. Your brother originally bought the books in Thailand, correct?

A. That's correct.

Q. You bought them from a bookstore in Thailand?

A. Yes.

Q. Usually a university bookstore, right?

A. Yes.

Q. Your brother shipped these books to you from Thailand to [69] the United States

A. Yes.

* * * *

[72:1 - 79:8]

[72] A. Yes, I remember.

Q. Was that response correct?

A. That was correct.

Q. Now I'm going to ask you some questions about the banners on the books that you sold. OK?

A. OK.

Q. At the time that you sold the books, you knew that these books had those banners on them, right?

A. At the time that I sold it, I know that they had banners, yes.

Q. At the time you sold it, did you understand that the banner said that the book could only be sold in certain regions of the world?

A. Yes, I understand what the banner said.

Q. At the time you sold the book, did you also understand that the banner said it could not be exported from those certain areas of the world?

A. Yes, I understand that.

Q. At the time you sold the books, did you understand that the banner said that you could be liable for damages and attorney's fees if you exported the books from the regions in which they were intended to be sold?

MR. ISRAEL:

Objection, your Honor.

THE COURT:

Overruled.

A. I didn't have the understanding regarding this importation [73] or exportation. My understanding was pretty much about the reselling of these books.

Q. When you read the banner, it's your testimony that you didn't understand that the banner said that it could not be exported from the countries in which it was intended to be sold?

A. Can you ask the question again? I'm confused.

Q. Sure. I'm looking at the one for Accounting Principles, sir, which I believe is Plaintiffs Exhibit 10. It might help if you have that in front of you.

A. OK.

Q. Now, sir, I'm looking at the banner and I'm looking at the second sentence.

A. Yes.

Q. Which begins with the word "Exportation."

A. Yes.

Q. Just so we are clear, I'll read it. "Exportation from or importation of this book to another region without the publisher's authorization is illegal and a violation of the publisher's rights." You had read that before you sold these books, rights?

A. Yes.

Q. Did you understand what that meant?

A. I understand what it meant, but I didn't believe that any publisher's right was violated.

[74] Q. Did you basically reach the conclusion that the banner was wrong?

A. Yes.

Q. Now I'm going to ask you some questions about how you came to the conclusion that the banner was wrong.

A. OK.

Q. Back in 2006 you had a friend at the University of Southern California by the name of Panatat, right?

A. Yes.

Q. He was originally from Thailand as well?

A. Yes.

Q. He has since left the United States?

A. Yes.

Q. Do you remember that once during 2006 you went over to his house and saw a lot of books there?

A. Yes.

Q. The books at his house were foreign editions, right?

A. That's correct.

Q. You had a conversation with your friend at that time about these foreign editions, right?

A. Yes.

Q. That conversation lasted about 30 minutes?

A. Yes, I believe so.

Q. He was in the country for about another year or so after you had that initial conversation, right?

[75] A. Yes.

Q. During that next year that he was in the, country you would have a conversation with him about foreign editions once a week or so, right?

A. Yes.

Q. In a couple of those conversations with your friend, you talked about whether it was legal or

illegal to sell foreign editions in the United States, right?

A. Yes, I did ask him that.

Q. You had a couple of those conversations with him, right?

A. Yes.

Q. Those conversations lasted about five minutes apiece, right?

A. I think so, yes.

Q. After a couple of those conversations with your friend, you searched online to try to figure out whether it was legal or illegal to sell foreign editions in the United States, right?

A. That's correct.

Q. When you did that online search, you found a posting at the Google site, right?

A. I found many postings that said that selling of international Asian textbooks is legal in the United States.

Q. You found many postings?

A. Yes.

Q. How many?

[76] A. At least three or four that I can think of.

Q. Going back to your deposition, I'm going to ask if you remember being asked the following questions and giving the following answers.

A. OK.

Q. I'm on page 86, beginning at line 17.

"Q. Did you ever do any inquiry into whether it was legal to sell foreign editions in the United States?

"A. Only Online. I mean I only do the search online.

"Q. What did you search online?

"A. I don't know. I search on the Google, and it say something like international edition textbook sales, and something like that. And there was some advice in there.

"Q. What was the advice that you got online?

"A. I can only remember two. One of them says that basically, says that you can sell the textbooks in the U.S. because of the first sale doctrine, and that the publisher's right is already exercised once the book was sold and I could just do whatever I like with the book that I bought. And the other is kind of a longer version of the answer, and that's basically saying the same thing I think."

Sir, were those answers correct at the time you gave them?

A. That's correct. But there were some other search results that I didn't mention, because I thought it was not credible [77] enough.

Q. The other ones you read were credible enough?

A. Well, it didn't convince me that selling the foreign edition is legal.

Q. Did you print out any of those other sites beyond the two that you mentioned in your deposition answer?

A. I only printed out one, which was the one that convinced me that the selling of the foreign edition is legal.

Q. Did you bring that out at the time you read it for the first time?

A. No, I didn't not.

Q. The site that was later printed out was what's been marked as Defendant's Exhibit A in this case, correct?

A. I have to see that.

MR. DUNNEGAN:

If we could please hand it to him.

A. Yes, this is the one that convinced me that selling it is legal.

Q. Can you tell us about when you read this for the first time?

A. About when I read this for the first time?

Q. Yes.

A. Sometime in 2006, before I sell any textbooks.

Q. Sir, if I call this a posting on Google, would you understand that?

A. Yes.

[78] Q. Do you know who wrote the answer that you found credible?

A. After reading it, my impression was that a lawyer was writing this. But I eventually found out, just within this week, that is was actually Google researcher who wrote this.

Q. Do you know the name of the Google researcher who wrote this?

A. No, I don't.

Q. The person who wrote this did not sign his or her name, correct?

MR. ISRAEL:

Objection

THE COURT:

Overruled.

A. Not that I'm aware of.

Q. On the first page of Exhibit A, about five lines from the bottom or six lines from the bottom, it's signed "Regards," next line "AHT-GA, Google Answers researcher." Do you see that?

A. Yes.

Q. You have no idea concerning the identity of the person who signed his name, correct?

A. I did know at the time, but my belief at the time was that if one really needs to, he can figure out who wrote this.

Q. Did you ever figure out who wrote it?

A. Never.

Q. At the time you read this, did you understand that the person who wrote it was a licensed attorney in the United [79] States?

A. I did not know that for a fact, but I believed he was some sort of a lawyer.

Q. This convinced you, sir, that what you were doing was legal, correct?

A. Yes.

Q. Of course, you read it carefully?

A. Yes.

* * * *

[85:1 – 103:25]

[85] Q. Isn't it true that you also decided not to retain a lawyer for this issue because you knew you were going to quit this business in one or two years?

A. That's correct.

Q. So no need to call a lawyer, because you knew you were going to get out of the business in one or two years.

MR. ISRAEL:

Objection.

A. That's not the only reason.

Q. But it's a reason, correct, sir?

A. It's a reason.

Q. Now, sir, I'm going to ask you some questions about how you worked with eBay. OK?

A. OK.

Q. When someone sells on eBay, they generally have something called a username, right?

A. That's correct.

Q. A username is like a nickname?

A. Yes.

Q. Unless someone has it first, every seller can pick their own username?

A. That's correct.

Q. You had at least four usernames on eBay, correct?

A. That's correct.

Q. You had a username bluechristine99?

A. I'm sorry, The account on the Internet name was under my [86] girlfriend's name.

Q. You set up that account, though, right?

A. Yes, I set up that account when I was with her.

Q. You set up the username billytext.com?

A. That's correct, which was under my girlfriend's name as well.

Q. You set up the username piggytext?

A. Let me give you a clear answer for the previous two questions first. The account under the name billytext and the account under the name bluechristine are the same account. It's just eBay allows you to change the name of the account.

The reason that I changed the name of that account is because after I had been selling for a while, there are repeated customers who keep

bugging me about giving them a discount, I sort of hesitated giving a discount because the profit I earned for each book is like $5. So if I give them a discount, I must be at a loss. That's why I decided to change the name, so the repeated customer wouldn't bug me about the discounts.

Q. You sold books under the username pigvicky, putting aside why you switched to that name.

A. OK.

Q. Are you familiar with a site called Half.com?

A. Yes.

Q. Half.com is another Internet site where you can sell stuff [87] and buy stuff?

A. It's a part of eBay.com, yes.

Q. And Half.com is related to eBay somehow?

A. Yes.

Q. At some point you were selling books on Half.com, right?

A. Yes. I believe it was in 2006.

Q. You were selling textbooks on the Half.com, right?

A. Yes, that's correct.

Q. At some point Half.com closed your account?

A. It's not precisely closed the account. They just suspended my account because they have the policy against listing a textbook with a different ISBN. The foreign edition textbooks, even though the content is exactly the same, the ISBN is different from the U.S. version. Half.com had a policy against that. They let me know, and they suspended the account, and they told me that I can continue selling them through eBay.

Q. You regarded the suspension of your account at Half.com as a problem, right?

MR. ISRAEL:

Objection.

THE COURT:

Why don't you rephrase the question, Mr. Dunnegan.

Q. Sir, was it your understanding that you were banned from selling foreign editions on Half.com after your suspension?

A. On Half.com, yes.

Q. When was that? When was that suspension, I should say.

[88] A. The suspension on Half.com was I think somewhere in the area of 2006 or maybe -- I don't know, but somewhere in 2006.

Q. After the suspension on Half.com, you turned to eBay to sell foreign editions, correct?

A. That's correct.

Q. At some point eBay put a restriction on your account as well, correct?

A. I don't think so.

Q. At some point you set up an account with eBay under your girlfriend's name, correct?

A. That's correct.

Q. That account was bluechristine99?

A. First I set up the account name pigvicky, which was under my girlfriend's name. About a year later I set up the account name bluechristine99.

Q. You opened up bluechristine99, right?

A. Yes.

Q. You opened up pigvicky, right?

A. Yes.

Q. You did that because you thought that it would be difficult for you to sell under eBay foreign editions, right?

A. That's not entirely true.

Q. Is it in part true, sir?

MR. ISRAEL:

Objection.

THE COURT:

Sustained. Let him answer the question, [89] counsel.

A. The thing with Half.com and eBay.com is that once you open an account in Half.com, your account can also be used in eBay. So my suspension in Half.com, I have to remove that suspension first before I can use my account to sell on eBay. That appeal would take somewhere around a month or so. I have textbooks sitting in my home. So in order to get rid of the textbooks as soon as possible, I needed to open the new account immediately.

Q. I want to make sure I have this. Because Half.com put a restriction on your account, eBay also put a restriction on your account?

MR. ISRAEL:

Objection.

A. It's considered the same account.

Q. But because Half.com placed this restriction, there was a restriction as well on your eBay trading because it was the same account?

A. Yes.

Q. Did you communicate with eBay about the suspension?

A. I did, and they told me that I need to submit some extra information, like that I have some U.S.

textbooks, which I had at the time. But I didn't send them anything, because they told me that the whole process would take like about a month.

Q. It was easier, sir, just to set up the account with your girlfriend's name?

A. That's correct.

[90] Q. You also set up an account under the username, and I'm going to have to spell this one, S-U-B-C-H-I-E-W, is that correct?

A. That's correct?

Q. And you set up that eBay account?

A. I set that account up when I was with my girlfriend. I never used that account to sell any foreign edition.

Q. Whose name was that account in, sir?

A. It was my girlfriend's sister.

Q. You also set up an account under the name pandaking58, correct?

A. That's correct, but I never used that account to sell any foreign edition.

Q. Did you set that account up under your own name?

A. I set that account up when I was with my father, and that account was under my father's name.

Q. Did you want eBay to think that it was your father selling the books?

A. I never used that account to sell any foreign edition.

MR. DUNNEGAN:

Your Honor, can you direct him to answer the question?

MR. ISRAEL:

Objection.

THE COURT:

I think he did.

Q. Did you want to mislead eBay?

MR. ISRAEL:

Objection.

[91] THE COURT:

I think you had better start again, counselor.

Q. You set up an account under the name pandaking58?

A. Yes.

Q. You intended to sell books?

A. I intended to sell U.S. Edition textbooks.

Q. And you never did that?

A. I think I must have sold one or two copies.

Q. You set the account up under the name of your father?

A. That's correct.

Q. Were you trying to make eBay think that it was your father's account?

A. It was my father's account.

Q. Did you father operate the account at all?

A. No, he did not.

Q. Now I'm going to ask you some questions about the sales that you made after this lawsuit started. All right?

A. OK.

Q. I believe you told us earlier that Wiley started the lawsuit in 2008, correct?

A. Toward the end of the year, yes.

Q. Do you remember when?

A. I think it's somewhere around November. I'm not a hundred percent sure. You would have to check the record.

[92] Q. Did you remember at one point when the lawsuit was filed?

MR. ISRAEL:

Objection.

THE COURT:

I'll sustain the objection.

MR. DUNNEGAN:

Could you please show the witness Plaintiff's Exhibit A. Excuse me. Plaintiff's Exhibit D. I apologize.

Q. Do you have it in front of you?

A. Yes.

Q. The page you're looking at on the front says "Complaint,"right?

A. Yes.

Q. Do you see it stamped in more or less the upper right-hand corner?

A. Yes.

Q. Does that at all refresh your recollection about the precise date on which the lawsuit was filed?

A. It here shows that the lawsuit was filed in September 2008.

Q. Do you recall the approximate date on which you had notice that the lawsuit was filed?

A. I don't know exactly when I had been served. I think it's sometime around November.

Q. You sold foreign editions of the Wiley textbooks which are the subject of this case after you were aware that the lawsuit had been filed, right?

A. Yes.

[93] Q. I'm going to ask you some questions about some change in your eBay names after the lawsuit was filed. OK?

A. OK.

Q. When this lawsuit was filed, you were using the username bluechristine99 on eBay, right?

A. And pigvicky, yes.

Q. We'll come to pigvicky. But you were using bluechristine99, right?

A. That's correct?

Q. After you received notice of the lawsuit, you changed the username on the account from bluechristine99 to billytext, right?

A. The time frame was correct, but that's not the reason I changed the name.

Q. Do you recall the date on which you changed the name from bluechristine to billytext?

A. I have to guess a little bit here. The thing is that textbooks, the sale usually happens when school starts. In the spring of 2008 – I'm sorry – in the fall of 2008, after the sale was finished, I changed the name of the account so that the repeated customers doesn't know that this is actually one and the same account. Before selling the book in the spring, I changed the name. I changed the name somewhere between fall and spring, so it must be sometime in winter.

Q. Can you be any more precise than sometime in winter?

[94] A. I cannot be more precise, but you can check the record with eBay.

Q. Let's do that.

MR. DUNNEGAN:

Can we please hand the witness Plaintiff's Exhibit 66.

Q. Have you read it, looked it?

A. Yes.

Q. Can you please tell us what Exhibit 66 is.

A. It's the eBay registration information and user ID history.

MR. DUNNEGAN:

Your Honor, I offer it.

THE COURT:

Without objection, it may be entered.

Q. Sir, looking at the middle of the page, in the left-hand column, do you see where it says "user ID billing text," about halfway down?

A. Yes, I saw that, yes.

Q. Following that across, for the user ID billytext do you see where it says "effective date," and it's November 30th of '08?

A. Yes.

Q. Is that consistent with your recollection of when you changed from bluechristine to billytext?

A. Yes.

MR. ISRAEL:

Objection.

THE COURT:

Asked and answered. The objection is overruled. The answer is recorded.

[95] A. Yes, the effective--I mean the date reflects that the user ID changes in winter.

Q. As of November 30th of 2008, you didn't use bluechristie99 anymore?

A. That's correct.

Q. Sir, didn't you change your username on about November 30th of 2008 to make it more difficult for Wiley to find you selling foreign editions?

A. That's not the reason.

Q. You mentioned pigvicky earlier.

A. Yes.

Q. Before Wiley filed this lawsuit, you were using on eBay a username pigvicky, right?

A. That's correct?

Q. After you received notice of this lawsuit, you changed the username on the account from pigvicky to pinkytext, right?

A. The time frame was correct, but I didn't change it because of the lawsuit.

Q. You changed it on November 26th of 2008, right?

A. Is that recorded in here?

Q. Yes, I believe that's set forth on Plaintiff's Exhibit 66, if that assists you.

A. Yes, I believe that's correct.

Q. Do you remember that during the course of this case Wiley asked you some more written interrogatories?

[96] A Yes.

Q. Do you again remember that you answered those with the assistance of your attorney?

A. Yes.

Q. Do you remember that Wiley asked you to disclose how many foreign editions or how may copies of foreign editions of the eight titles that you sold?

A. Yes.

Q. Do you remember that you told Wiley that you had sold 20 books per title?

A. Yes.

Q. Do you remember that you told Wiley that you made a profit of $1,600?

A. Yes, I remember. By the way, the number that I gave was an estimate, as mentioned.

Q. When Wiley asked you the question how many titles that you sold, you had the ability to actually go back and count if you wanted to, didn't you?

A. No, not that I was aware of at the time.

Q. I'm sorry. I didn't hear your answer.

A. I wasn't aware that I can actually go back through the whole record of whatever that happened two years before in the account.

Q. Do you recall the approximate date on which you answered these interrogatories?

[97] A. I think it was in early 2009.

Q. You didn't realize in early 2009 that you had the ability to access your PayPal or eBay accounts?

A. Actually, let me rephrase that. I know that I can go into the PayPal record to look at like how many of each book is sold. But the paper record is huge and I cannot just sort through like everyone of them.

Q. Why couldn't you do that?

A. Because the Paypal record has many rows.

Q. Sir, what prevented you from going through the many rows rather than giving an estimate?

A. Because it was my understanding that at the time what Wiley were looking for was an estimate of how much I sold. I can take about an hour or two to figure out the estimate of the sale, but if I have to go through the record, it would have taken me like ten hours to do.

Q. Did you understand that Wiley was asking you for just an estimate of what you had sold?

A. I understood that the estimate was enough.

Q. How did you come to the understanding that an estimate was enough?

A. I thought that as long as you're honest, there is nothing wrong with giving an estimate. I believe to this day that that estimate is still accurate.

Q. Sir, I'd like to flesh out what that estimate is. I think [98] the easiest way to do that is I'm going to ask if you give this interrogatory answer.

A. OK.

Q. "Interrogatory 2. State the amount of revenue that defendant has received from the sale of foreign editions of textbooks of.

"Response. Estimated revenue from the sale of Wiley international edition textbooks is $1,600. This consists of 8 titles, 20 books per title, at $10 per book."

Did you give that answer, sir?

A. Yes, I did give that answer. But when I gave that answer, my understanding of the revenue was wrong. I thought that the total revenue – I had taken the total revenue to mean profit. As you can see, I said that the profit is $10, which is obvious that it's not revenue.

Q. Let's focus on the number of books, sir.

A. OK.

Q. How did you estimate that you only sold 20 books of each title?

A. What I did is that I count--not exactly count, but I look at my email records of how many transactions that I have and compare that with the number of titles that I have, and then I make the division. That gives you the estimate.

Q. You were way off, right?

A. I wouldn't say that I was way off.

[99] Q It's stipulated that you sold 9 titles of Accounting Principles, right?

A. That's correct.

Q. It's stipulated that you sold 9 copies of Fundamentals of Heat & Mass Transfer?

A. That's correct. But when you asked that in the interrogatories, the name given was bluechristine, and it was my understanding that your questions only regarding the account bluechristine. If you counted the transactions under that account name, my estimate actually is a good estimate.

Q. You thought you were only being sued in this lawsuit under the sales you had made under username bluechristine?

A. That's correct.

Q. You didn't understand that you were being sued for the sales that you had made under billytext.com? Or billytext I should say. I'm sorry.

A. Billytext and Christine is the same account. So my estimate for both would be the same.

Q. You didn't understand when you answered the interrogatory that you were being sued for what you did with respect to pigvicky, for example?

A. No, I didn't think that that account was being sued for.

Q. Just because it's not mentioned in the complaint?

A. No. Because I don't have a personal knowledge of which book is printed by which publisher, so I didn't even know that

[100] I had sold any Wiley textbook on pigvicky account.

Q. Sir, you knew at the time that you received the complaint what the 8 titles were, right?

A. Yes.

Q. You could have gone through your pigvicky account to see if you sold any of those 8 titles, correct?

A. I could have, but it takes ten hours, like I said.

Q. Ten hours, yes. OK. Now, sir I'm going to ask you some questions about your financial assets and your financial liabilities. OK?

A. OK.

Q. Sir, are you familiar with the term "net worth"?

A. Yes, I am.

Q. What do you understand that that means?

A. I think what it means is the whole financial asset that a person has.

Q. At the present time, what financial assets do you have?

A. I have some cash and I have some – I have a car.

Q. Any other category?

A. There are some small personal properties.

Q. At the present time, how much cash do you have?

A. About $9,000.

Q. The approximate value of your car is?

A. I would say at this time it would be about $8,000.

Q. The personal effects that you refer to, what is their [101] approximate value?

A. It's hard for me to figure out.

Q. Would you say it's relatively small, I mean under a thousand dollars? Under $2,000?

A. I'd say somewhere around $3,000.

Q. 3,000, that's fine. At the beginning of 2009, what were your financial assets?

A. At the beginning of 2009, I believe that I have about $30,000 in cash back then.

Q. And your car?

A. Of course and my car, yes.

Q. And your personal effects?

A. Yes.

Q. Between the beginning of 2009 and today, did your financial assets significantly change?

A. Yes.

Q. How?

A. I have to pay some rent and I have to fix cars and stuff and I have to pay for my tuition.

Q. You have to pay?

A. For the tuition.

Q. Now, sir if we were to go back and look at January 1st of 2008, what were your financial assets at that point in time?

MR. ISRAEL:

Objection, your Honor.

THE COURT:

I think that's sustained.

[102] Q. Mr. Kirtsaeng, before the break we were talking about your net worth during the period of 1999, correct? Excuse me. 2009.

A. Yes.

Q. I believe, correct me it I'm wrong, that you told us that at the present time you have a net worth that consisted of about $ 9,000 in cash $8,000 in a car, and let's say $3,000 in personal effects. Is that fair?

A. Yes.

Q. I believe you told us at the beginning of the year that your net worth was approximately $35,000, correct?

A. I said 30,000.

Q. 30,000, OK. I stand corrected. I believe I also asked you did your net worth materially change at any time during the year 2009.

A. Can you define "materially" for me?

Q. By more than $25,000 let's say.

[103] A. Yes.

Q. Did you dispose of a substantial amount of money in February of this year?

A. No, I did not.

Q. Do you per chance remember disposing of any amount of money on February 2nd of this year?

A. What do you mean by dispose of?

Q. Transfer.

A. Yes, I did.

Q. How much money did you transfer on February 2nd of 2009?

A. I have to look at a bank record?

MR. DUNNEGAN:

Your, Honor, may I approach the witness and show him a copy of the bank record.

THE COURT:

You may.

Q. This is what has been previously marked as Exhibit 69.

THE COURT:

It's not marked in this proceeding?

MR. DUNNEGAN:

It's not in the final pretrial order, your Honor. It was on an earlier version of the pretrial order. We are not using it as prima facie evidence, but we are using it to impeach.

A. I transferred $170,000 in cash to my father.

Q. You did that on February 2nd of 2009?

A. Can I see it again? Yes, I believe so.

Q. Sir, what was your approximate gross income for 2008?

A. I would approximate at $50,000.

* * * *

[110:6 – 113:10]

[110] Q. Mr. Kirtsaeng, I'm going to ask you some questions about the Defendant's Exhibit A, which it is the thing that you got online when you did your research, the Google search. I'd like you to turn to the page with the language that you read before that explained what gave you comfort to believe that these sales would be legal.

A. Yes.

Q. Do you see the second paragraph where it starts with "However," toward the end of the second paragraph?

A. Yes.

Q. I'd like you to read from there where it says "However" to the end of the next paragraph, please.

A. "However, if a third party were to buy copies outside of the U.S., take possession of them, then import them into the U.S. for subsequent sale, that is allowed under section 109."

Q. Continue.

A. "This right under Section 109 was tested all the way to the Supreme Court in the 1990's. In 1998 the Supreme Court overturned a 1996 decision by the Ninth Circuit federal court of appeals that had ruled that the Section 109 right of the [111] owner of a copyrighted work to sell or otherwise dispose of said copy did not extend to lawfully made and lawfully obtained copies that are imported into the U.S. for resale. This is referred to as parallel imports or the gray market, where works manufactured under the authorization of the copyright holder are subsequently imported without the express consent of the copyright holder for the sale in the U.S.

"In their 1998 decision, the Supreme Court ruled that a direct interpretation of the Copyright Act does indeed provide the owner of a lawfully obtained copyright"--I'm sorry--"the Copyright Act provides

the owner of the lawfully obtained copy of a copyrighted work the right to sell or otherwise dispose of it as desired without violating the rights of the copyright holder."

Q. You read that at the time you were doing your research, correct?

A. Yes, I did.

Q. There is a reference there to a case that you read, isn't that correct?

A. Yes.

Q. In fact, when you read this document, there are detailed references to the law throughout the document, isn't that correct?

A. That's correct.

Q. So this wasn't some kind of casual little blurb about [112] whether it's legal or not legal. This is an extensive discussion about the law concerning the sale of imported books, imported textbooks, is it not?

A. Yes. It's the document that covers all the possible --

Q. Points, arguments?

A. -- possible angles that one can think of really on this.

Q. Earlier Mr. Dunnegan was reading to you from your deposition transcript, and he stopped

short of a couple of lines. I just want to make the record clear, so I'm going to ask you if those couple of lines that he omitted are in fact your testimony also.

It says in your testimony of May 12, 2009, on page 89, toward the bottom of the page, when you're talking with your friend about whether it's legal to sell the books or not:

"Q. Why did you bring it up to him?

"A. Because at some point I wasn't sure.

"Q. And why weren't you sure?

"A. I don't remember.

"Q. And after you spoke with him, were you still unsure whether it was legal?"

Your answer was "No."

Do you recall giving that testimony?

A. Yes, I remember.

Q. Isn't it a fact that you were quite satisfied and certain that it would be legal for you to sell the textbooks in the [113] United States?

A. That's correct, I was satisfied by his confirmation of the law.

Q. Just so we're clear on this point, because you went back and forth on it a couple of times, the issue of the notices on the books about where the books

could or couldn't be sold, in your mind who did they apply to, those notices?

A. To my understanding, this only applies to the distributor of the textbooks, namely, I think in some of these cases Wiley Asia.

Wiley Asia Student Edition

FUNDAMENTALS OF
HEAT AND MASS TRANSFER

[IMAGE OMITTED]

SIXTH EDITION

Incropera DeWitt Bergmann Lavine

Plaintiff's
Exhibit 12

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WILEY

www.wiley.com/college/incropera

Wiley International Student Edition

Halliday & Resnick

FUNDAMENTALS OF PHYSICS EXTENDED

EIGHTH EDITION

[IMAGE OMITTED]

Jearl Walker

Plaintiff's
Exhibit 14

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www.wiley.com/college/halliday

978-0-470-04168-4

Wiley International Student Version

INFORMATION TECHNOLOGY FOR MANAGEMENT

6E

Transforming Organizations in the Digital Economy

[IMAGE OMITTED]

Plaintiff's Exhibit 16

Turban Leidner McLean Wetherbe

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[IMAGE OMITTED]

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Wiley Asia Student Edition

INTRODUCTION TO HEAT TRANSFER

[IMAGE OMITTED]

5E

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Wiley Asia Student Edition

WILEY John Wiley & Sons (Asia) Pte Ltd

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Wiley International Student Version

MANAGEMENT

Ninth Edition

[IMAGE OMITTED]

Schermerhorn

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Exhibit 20

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Question

Subject: Selling International versions of textbooks to US consumers.

Posted: 10 Jan 2004 23:08 PST

Expires: 09 Feb 2004 23:08 PST

Category: Business and Money > eCommerce

Question ID: 295219

Asked by: ssehgal-ga

List Price: $200.00

I am interested in finding out the legality of selling softcover or other imported textbooks in US. These books are low-priced editions of the original book and have a statement on the cover stating they are only for sale in certain countries. They are printed outside of US, have cheaper quality and sell for a lot cheaper. Many such books can be found to be on sale on sites like amazon.com and half.com by individual sellers eg isbn 0130336297 seems to be very popular for this. What I would like to know is that if such a book is sold over the internet to a US consumer, after describing the books contents and version etc fully to the consumer, would that be a trademark infringement or cause any legal issues for the US publishers? You can find such books on pelicanbookshop.com also where the site owner gives some info on the legality of such books. Also I found out that there was some judgement by the supreme

Defendant's Exhibit A

court authorizing such sales, where the case was brought up by a leading publisher who apparently lost the case.

Request for Question Clarification by aht-ga on 11 Jan 2004 03:30 PST
ssehgal-ga:

Thank you for asking such a truly interesting question. I am currently researching an Answer for you, and have several clarification requests that I hope you can respond to.

First, can you please confirm that your question is specific to textbooks?

Second, you mentioned 'trademark infringement'; however, literary works are covered by copyright protection. Trademark protection is extended to 'marks of trade', such as product names, brands, and logos. Can I safely assume that you are interested mostly in the copyright implications of importing textbooks into the US?

Third, in order to verify that the information I will be presenting you in the Answer aligns with any information you have already discovered on your own, can you please provide me with any additional details about the court case you refer to?

I look forward to your clarification, and will continue to work on your Answer in the meanwhile.

Regards,

aht-ga
Google Answers Researcher

Clarification of Question by ssehgal-ga on 11 Jan 2004 04:28 PST
hi,
Thanks for the response.

1. Yes, this question is specific to textbooks.
2. I would like to find out about all implications including those of Lanham Act of section 32 of trademark act of 1946 as well as copyright protection.

3. below are the supreme court cases as well as some articles.

http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=000&invol=96-1470
http://query.nytimes.com/gst/abstract.html
res=F30712FD355A0C728EDDA90994DB404482

Article in NY Times called:
web helps us students purchase abroad and save money, by tamar lewis/nyt

Thanks.

Request for Question Clarification by aht-ga on 11 Jan 2004 04:45 PST
ssehgal-ga:

Thank you for the clarification. The case you mention, the L'Anza case, is indeed a landmark one in shaping both the current law and the current policies of the US Customs Service.

I will include a discussion of the applicability of the Lanham Act in the Answer.

While I have found all of the information require to respond to the full scope of your Question, I have just noticed that it is well past bedtime (which explains why my eyes are refusing to stay open!), so I will continue working on this question in the morning prior to posting a complete Answer.

Thanks,

aht-ga
Google Answers Researcher

Subject: Re: Selling International versions of textbooks to US consumers.
Answered By: aht-ga on 11 Jan 2004 14:27 PST
Rated:
ssehgal-ga:

Thank you for your question regarding selling international versions of textbooks to US consumers.

First, a brief reminder to you that Google Answers and Researchers such as myself provide general information that is not intended to substitute for

informed professional legal advice. The details of this limitation is described for you in the disclaimer at the bottom of this webpage, and the Google Answers Terms of Service.

Now that the legalese is out of the way, on to your Answer. :) Which of course deals with more legalese!

The answer to your question is not a simple one. Three areas of US law are involved: copyright, trademarks, and tariffs. I will cover each in the following sections.

The most relevant US law that covers this activity is Title 17: Copyrights of the U.S. Code. This part of the US Code can be viewed at either of the following sites:

GPO Access - US Government Printing Office
http://www.access.gpo.gov/uscode/title17/title17.html

Legal Information Institute - Cornell University
http://www4.law.cornell.edu/uscode/17/

You may wish to use the second site, the LII one, to follow along with this Answer as the format is easier to read.

Title 17 (which I will refer to alternately as the copyright act) applies to 'original works of authorship fixed in any tangible medium of expression', as outlined on Section 102:

"(a) Copyright protection subsists, in accordance with this title, in original works of authorship

fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

..."

http://www4.1aw.cornell.edu/uscode/17/102.html

The rights granted to the copyright holder are outlined in Section 106:

"Sec. 106. - Exclusive rights in copyrighted works

Subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission"

http://www4.1aw.cornell.edu/uscode/17/102.html

For the purposes of this Answer, all statements will be with reference to textbooks as the copyrighted material. There is special treatment available for copyrighted works that fall into the category of audio/video recordings, and computer software. Note that for any computer software that accompanies a textbook, for the most part the same rules that govern the textbook also govern the software, with the exception of the application of the fair use rule for making your own copies of the software.

The right that is of greatest interest for this Answer is subsection 106(3). This subsection grants the copyright holder the exclusive right to publicly distribute, or to authorize others to publicly distribute, their copyrighted work. In the case of a piece of published literary work, the author has

authorized the publisher to distribute their work in return for consideration (in the form of royalty payments). The author may, at their option, choose to authorize more than one publisher to distribute their work. The author may also restrict the authorization as they see fit, to limit the authorization to a specific period of time, a certain region, or even a certain medium of expression (where multiple mediums are possible, such as print and electronic format). Finally, an author can choose to transfer ownership of the copyright to another party. Most authors choose to retain ownership of the copyright, but retain the services of their publisher (as part of a distribution deal) to enforce the copyright.

The section of Title 17 that applies to importing textbooks is Chapter 6: "MANUFACTURING REQUIREMENTS AND IMPORTATION". This chapter consists of three sections:

> Sec. 601. Manufacture, importation, and public distribution of certain copies
> Sec. 602. Infringing importation of copies or phonorecords
> Sec. 603. Importation prohibitions: Enforcement and disposition of excluded articles

http://www4.law.cornell.edu/uscode/17/ch6.html

Section 601, for all intents and purposes, ceased to have effect following July 1st, 1986. The original intent of Section 601 was to provide protection to the domestic U.S. printing industry. It essentially

required that published works be printed in the U.S. (and subsequently including Canada) in order to qualify for the full protection granted by the copyright act.

Section 602 is the section that deals directly with importing books. In this section, clause (a) states that, with a few exceptions, importing copies of a copyrighted work without the authorization of the copyright holder is a violation of their exclusive right to distribution as granted in Section 106(3). Exceptions include individuals importing a single copy of a copyrighted work for their own personal use, individuals carrying copies in their personal baggage who enter the US, and scholarly, educational, or religious organizations who bring in no more than five copies of a book for the purpose of not-for-profit lending or archiving.

However, subsection 602(b) adds an interesting twist to this. This subsection states that, if the copies are lawfully made (therefore, are authorized for manufacture in their country of origin by the copyright holder), then the US Customs Service does not have the authority to prevent the copies from being imported. The only thing that they are authorized to do, is provide a copyright registration service where copyright holders can pay a fee to be informed by the Customs Service whenever goods are imported that are not pirated goods, but are also not authorized for sale in the United States by the copyright holder.

Another interesting twist is added by section 109, which states in part:

> "(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

http://www4.law.cornell.edu/uscode/17/109.html

Within this definition, therefore, if a party legally obtains lawfully made copies, whether inside or outside of the US, that party has the right to "sell or otherwise dispose" of the copies without needing the authorization of the copyright holder. So it is possible under the combined interpretation of all of these sections of the copyright act to say that anyone who lawfully obtains copies of copyrighted work that are lawfully made outside of the US, can import them into the US without the US Customs Service being able to block it, and can sell those copies as they see fit. The only recourse available to the copyright holder is to start a civil suit that attempts to claim a violation of their basic right to control public distribution under 106(3), the argument being that selling more than a few copies constitutes an intent to publicly distribute rather than simply selling or otherwise disposing of the possession of a lawful copy. The counter-argument is that, because the copies were lawfully obtained (either directly from, or from a party authorized by, the copyright holder), the copyright holder's right under 106(3) has already been exercised, and the subsequent import and resale of the copies only falls under Section 109.

What this rather complicated piece means is that a party outside the US, who is authorized by the copyright holder to distribute copies of a copyrighted work in another part of the world, does NOT have the right to make copies and ship them directly to the US for direct distribution to a customer or customers. That would be a clear violation of the license granted to them by the copyright holder, and therefore the copyright holder can take action under subsection 106(3). However, if a third party were to buy the copies outside of the US, take possession of them, then import them into the US for subsequent sale, that is allowed under Section 109.

This 'right' under Section 109 was tested all the way to the Supreme Court in the 1990's. In 1998, the Supreme Court overturned a 1996 decision by the Ninth Circuit, Federal Court of Appeals, that had ruled that the Section 109 right of the owner of a copy of a copyrighted work to sell or otherwise dispose of said copy, did not extend to lawfully made and lawfully obtained copies that are imported into the US for resale. This is referred to as parallel imports, or the "grey market", where works manufactured under the authorization of the copyright holder are subsequently imported without the express consent of the copyright holder for sale in the US. In their 1998 decision. the Supreme Court ruled that a direct interpretation of the copyright act does indeed provide the owner of a lawfully obtained copy of a copyrighted work, the right to sell or otherwise dispose of it as they desire, without violating the rights of the copyright holder.

Quality King Distributors, Inc. v. L?anzaresearch Int?l, Inc. (96-1410) 98 F.3d 1109, reversed. http://supct.law.cornell.edu/supct/html/96-1470.ZS.html

OTHER APPLICABLE LAW

TRADEMARKS

In addition to the copyright act, another act that impacts some imported textbooks is the trademark act found as Chapter 22 in Title 15 of the US Code. This act is comprised of the Lanham Act of 1946 (sections 1052-1127 of Title 15) and two sections added by the Treasury and General Government Appropriations Act of 2000 (sections 1128-1129).

The trademark act protects marks of trade, best described by the introduction to the Legal Information Institute's section on trademarks:

> "Trademarks are generally distinctive symbols, pictures, or words that sellers affix to distinguish and identify the origin of their products. Trademark status may also be granted to distinctive and unique packaging, color combinations, building designs, product styles, and overall presentations. It is also possible to receive trademark status for identification that is not on its face distinct or unique but which has developed a secondary meaning over time that identifies it with the product or seller. The owner of a trademark has exclusive right to use it on the product it was intended to identify and often on related

> products. Service-marks receive the same legal protection as trademarks but are meant to distinguish services rather than products."

http://www.law.cornell.edu/topics/trademark.html

This act becomes applicable where the author or publisher of the book also registers a trademark with the Patent and Trademark Office for an element used in the book. For example, I have in front of me a novel that I am currently reading, "Crossroads of Twilight" by Robert Jordan. This is the tenth book in his "The Wheel Of Time" series. Mr. Jordan claims trademark over the phrases "The Wheel Of Time" and "The Dragon Reborn", as well as a symbol. None of these trademarks are registered: however, he still has rights under common law, and indicates such by the letters "TM" displayed with those phrases. His publisher, on the other hand, has registered its trade name, Tor, and indicates such with the registered trademark symbol (the letter R in a circle) displayed with the trade name.

The Lanham Act is only enforceable by the Customs Service when a trademark is registered with the Patent and Trademark Office. What they look for is any imported good that violates Section 1114 of the trademark act;

> "(1) Any person who shall, without the consent of the registrant –
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale,

offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided."

http://www4.1aw.cornell.edu/uscode/15/1114.html

However, it is important to note that a violation can only occur when the registered trademark itself is reproduced and applied to a good or service that can cause confusion in the marketplace next to the goods and services of the registered trademark holder. Therefore, a violation does not occur if the registered trademark was originally applied to a good or service that was made by the registered trademark holder outside of the US, and subsequently offered in the US marketplace. As far as the trademark act and the US Customs Service are concerned, these parallel imports are considered authentic goods, and therefore no trademark violation has occurred.

TARIFFS

Imports are also subject to review under the Tariff Act, which is section 1526 of Title 19 of the US Code. This section states, in part:

> "Sec. 1526. - Merchandise bearing American trade-mark
>
> (a) Importation prohibited
>
> Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry."

http://www4.1aw.cornell.edu/uscode/19/1526.html

This section, when taken in conjunction with the trademark act, empowers the US Customs Service to block the import for resale of any trademarked items

without the written consent of the owner of the trademark. However, this has been interpreted by both the US Customs Service (in its policies) and the Supreme Court (in the landmark K-mart v. Cartier ruling) to cover only those goods that are not manufactured by the trademark holder itself. In other words, if the manufacturer in the foreign territory is a subsidiary or affiliate of the US trademark owner, and therefore can claim the same parentage, then importing that good into the US is not necessarily illegal. The Supreme Court case that discusses this can be found at:

> K Mart Corp. v. Cartier, Inc., 486 U.S. 281 (1988)
>
> http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=US&vol=486&invol=281

An additional view on this can be found at the following site:

> Crash course on trademarks: Limitations on trademark rights-iusmentis.com
> http://www.iusmentis.com/trademarks/crashcourse/limitations/
>
> (scroll down to "First sale and exhaustion in the USA")

Note of course that this only applies to registered trademarks. In order for a textbook to be affected by this, there must be a trademark on an element of the book, said trademark being in conflict with a registered trademark in the US. Given the global

nature of the book publishing business, there is a very high likelihood that the US trademark is held by the same party that holds the trademark in the foreign country of origin, so the US Customs Service would allow the item into the US as long as the importer follows the guidelines and policies of the US Customs Service, found here:

US Customs Service - Internet Purchases

http://www.customs.ustreas.gov/xp/cgov/import/infrequent_importer info/internet purchases.xml

Importing into the United States

http://www.customs.gov/ImageCache/cgov/content/publications/iius_2epdf/vl/iius.pdf

In these bulletins, the Customs Service spells out their requirements to allow parallel imports to enter the US. If the mark is used for counterfeit purposes, then the goods will be seized. Otherwise, they will be permitted entry. In particular, section 35 of the °Importing into the United States" guide states, in part:

"An imported article bearing a name or mark prohibited by Section 42 of the Trademark Act is subject to seizure and forfeiture. However, upon the filing of a petition by the importer prior to final disposition of the article, the port director of Customs may release it upon the condition that the prohibited marking be removed or obliterated or that the article and

> containers be properly marked; or the port director may permit the article to be exported or destroyed under Customs supervision and without expense to the government."

Under this guideline, goods that are imported bearing a trademark registered in the US, can still be safely imported as long as they are clearly marked as not being offered in the marketplace by the trademark holder, or as long as the trademarks are removed or obliterated from the goods.

For foreign retailers who may sell a book to a party in the US for that party's personal use, the rules are even simpler, as such personal use is clearly allowed under both the copyright and tariff acts.

IN CLOSING...

Therefore, the current state of US law is that international versions of textbooks that are lawfully manufactured under the authorization of the copyright holder can be legally imported by a party that has acquired them outside of the US, for subsequent resale within the US. While the copyright holder can require that their license holders (the international printers) do not themselves ship manufactured copies directly for public distribution in the US without prior consent, the copyright holder cannot prevent a party from purchasing lawfully manufactured copies outside the US, and importing them into the US for sale or otherwise disposal.

It almost goes without saying therefore that the US publishers are actively lobbying for changes to the law to prevent this. For some insight into the current state of this lobbying, I suggest you read the Fall 2003 edition of the Professional/Scholarly Publishing Bulletin issued by the Association of American Publishers:

> "MY SAY: AAP/Parallel Importation", by Joe Marcelle
> Professional/Scholarly Publishing Bulletin, Vol. 4, No. 3, Fall 2003
> http://www.pspcentral.org/bulletins/current_bulletin.pdf
>
> (this URL changes with the release of every new bulletin, the archived versions can be found at: htto://www.pspcentral.org/, under the Bulletin link on the left-hand menu).

The position taken by many publishers is that versions published for non-US markets are substantively different from versions published for the US market. They point to examples such as systems of measurement (Metric in int'l, US Imperial for domestic versions) to say that the parallel imports can create confusion in the marketplace. As a result of this, they can undertake civil action under the trademark act (as cited above) to prevent this. Where this substantive difference does not exist, then as long as they authorize the production of the international versions and their sale in other countries, the copyright act provides the right to anyone who buys those versions outside of the US to import then into the US and dispose of

them as they wish. Even where this difference exists, if the importer takes care to clearly label each item with a notice to the consumer of the difference, and as long as the difference does not violate some other aspect of US law (such as health regulations), then the current law does not prevent the importation and sale of these textbooks.

ADDITIONAL REFERENCES

Copyright and Parallel Imports - Paul Supnik
http://www.supnik.com/coprpar.htm

CLL Articles - Parallel Imports (NOTE: article predates Supreme Court decision on L'Anza case)
http://www.c11.com/articles/article.cfm?articleid=12
- this article is on interest in that it provides a view of the situation prior to the Supreme Court ruling on the L'Anza case

United States - Copyright Protection and Parallel Imports - Ladas & Parry
http://www.ladas.com/BULLETINS/1999/0399Bulletin/US_CopyrightParImpt.html

Parallel Imports
http://www.cptech.org/ip/fsd/pi.html

SEARCH STRATEGY

"parallel imports" copyright

ADDITIONAL STRATEGY

- Past knowledge of Legal Information Institute resources

- Personal experience/knowledge

I hope that this information is helpful to you. There is a lot to absorb in this subject, so please let me know via the "Request Clarification" button if you would like me to explain any part of this further. I encourage you to use this opportunity for dialogue prior to rating/accepting this Answer so that I can ensure that you are truly satisfied with the information. While I am not a lawyer, nor do I play one on TV, I have a deep personal interest in this particular area of law, and it was my honour to have been able to Answer this question for you.

Regards,

aht-ga
Google Answers Researcher

Request for Answer Clarification by ssehgal-ga on 11 Jan 2004 15:35 PST
aht-ga:

My question is regarding the clarification of the following:

TRADEMARKS
Under this guideline, goods that are imported bearing a trademark registered in the US, can still be safely imported as long as they are clearly marked as not being offered in the marketplace by the trademark holder, or as long as the trademarks are removed or obliterated from the goods.

In regard to the statement above, I would like to know what comprises removing of trademarks. Say a person imports a book which as the statement ?not for sale in US? and similar statements in the copyright page of the book. If these trademarks are defaced or removed, i.e. if the statement on the cover is blacked out and the copyright page is torn off, is the book now eligible for sale in a marketplace, accompanying the statements in the comments saying that the imported version of the book is listed and is different in aspects xyz from the original copy being described in the marketplace listing details. Also, it is mentioned above that they are not beefing offered in the marketplace by the trademark holder, so would an importer be considered the trademark holder? If not can he or she offer to sell the product in a marketplace? Eg many listings sold on amazon and half marketplace have defaced the imprints stating that the version is not for sale in the US, and then listed for sale there next to the US versions of the book. Would this act comprise any violation? So I guess the question is that adding a trademark is clearly a violation of the trademark owners right but what governs removing such trademarks?

Clarification of Answer by aht-ga on 11 Jan 2004 19:27 PST
ssehgal-ga:

An excellent follow-up question. First, allow me to restate what constitutes trademark, and more importantly what constitutes a registered trademark. Citing again from the above:

> "Trademarks are generally distinctive symbols, pictures, or words that sellers affix to distinguish and identify the origin of their products. Trademark status may also be granted to distinctive and unique packaging, color combinations, building designs, product styles, and overall presentations. It is also possible to receive trademark status for identification that is not on its face distinct or unique but which has developed a secondary meaning over time that identifies it with the product or seller."

http://www.law.cornell.edu/topics/trademark.html

In other words, a trademark refers only to something used by the original manufacturer to differentiate their version of the product, from everyone else's version. Take bar soap, for example. Walk into your local drug store, and there is an entire aisle full of different manufacturers' versions of bar soap. In order to differentiate their product from the other products on the shelf, a company like Procter & Gamble uses a distinctive name, 'Ivory', a distinctive graphic (the stylized Ivory logo), and a distinctive slogan, '99 44/100% Pure', to try to make their version of soap stand out. Other manufacturers, like Palmolive, use other names, like 'Dove', to try to make their own product catch your eye.

To Procter & Gamble, the name 'Ivory' and the slogan '99 44/100% Pure' are important enough to their product's identity, that they have chosen to register them with the Patent & Trademark Office as an official registered trademark. Once that

registration was complete, and the status recognised by the PTO, no one else was allowed to use either of those trademarks in association with any product. Only Procter & Gamble can.

Another example would be Kleenex. The name 'Kleenex' is a registered trademark. They were so popular at one time, that everyone referred to facial tissues as Kleenex. However, no other manufacturer is allowed to call their product Kleenex, because that name and the right to use it belong exclusively to Kimberly-Clark Corporation.

So now, to address your follow-up question.

REMOVAL OF TRADEMARK

You asked what constitutes removal of a trademark, in reference to phrases such as "not for sale in US" and similar statements on the copyright page.

First and foremost, these statements are not trademarks. Again, the word trademark can only be used to describe something used by the original manufacturer to differentiate their version of a product from everyone else's version. Further, the trademark act and the tariff act only apply to registered trademarks, ie. trademarks where the trademark holder has formally registered their claim to exclusive use with the Patent & Trademark Office. This status is usually denoted by the use of the letter R in a circle, somewhere next to the trademark in question (note that this is not required, but almost every registered trademark holder does this to help communicate their exclusive rights).

What these statements are, are an attempt by the publisher to prevent individuals and companies from taking advantage of the right granted to them under Section 109 of the copyright act to re-sell these versions in the US. The publishers know full well that there is a demand for lower-cost versions of their textbooks. Its a fact of life that they are trying to sell high-priced goods to a captive market that can barely afford them, but has no choice but to buy them.

Regardless of any statements printed on the cover or elsewhere in the textbook, though, they are not enforceable statements under the current US law. It is not possible for a party to give up their Section 109 rights. The copyright act does not allow for this. Removal of the page or pages of the textbook that display the copyright information, then offering the product for sale to the public, does not remove the fact that the contents of the book are copyrighted, nor does it remove the rights of either the copyright holder or the owner of the copy.

What all of this means is that no matter how you deface the cover or the copyright page, the book is still copyrighted, the copyright holder still has certain rights over the manufacture of copies of the book, and the parties who buy those copies still have certain rights to sell or dispose of those copies as they see fit.

People who attempt to pass off international versions of textbooks as being domestic versions of the same textbook, however, could be found guilty of misrepresentation, or false advertisement, under

Section 52 "Dissemination of false advertisements", in Subchapter I, Chapter 2, of Title 15 of the US Code. In such a case, it is up to the Federal Trade Commission, in response to complaints, to take legal action against the seller. If the seller is a small, private individual selling one or two copies using false advertising, the chances of a court case going all the way are pretty slim right now; the courts are too busy with bigger cases.

OFFERED FOR SALE

You also asked about whether the importer would be regarded as the trademark holder. Again, a trademark is simply the distinctive method used by the original manufacturer (in this case, the publisher) to differentiate their product from the rest of the products in the marketplace. When someone buys a copy of a product in the marketplace, they do not receive any rights to the trademarks used on the product. For example, if you buy a pair of Nike shoes, that does not give you the right to use the Nike name or logo on other items. So, no one other than the original manufacturer have rights to use a trademark, unless the manufacturer explicitly sells that right, through either a license to use or a complete sale of the intellectual property, to another party.

To answer your question, the importer cannot appropriate rights to a trademark, ever. The most they can do is buy the right to use the trademark from the owner of the trademark. That is almost guaranteed not to happen when it comes to the domestic selling of international versions of

textbooks. However, just to be certain that this point is understood, please note that typically the only trademarks found on a textbook are the name of the publisher, and possibly the name of the series that a popular textbook belongs to. As long as you are not trying to pass off a completely different book as being from that publisher and/or as part of that series, then a trademark infringement is not happening. As well, please understand that you do not need to own a trademark in order to sell a lawfully made copy of an item that uses the trademark. If you bought that pair of authentic Nike shoes in Thailand, then decided that you wanted to sell them while you were in the US, you do not need permission from Nike before you do so. The first sale (from Nike, to you) has already happened, you are free to re-sell the good as you see fit under both the trademark and tariff acts. If you bought a pair of no-name-brand runners, then drew the Nike swoosh logo on them and tried to sell them as Nikes, then you would be infringing on Nike's trademark rights.

I hope that I have been clear enough in communicating to you what a trademark is. Defacing the cover or the copyright notice of a textbook has nothing to do with the rights of the trademark holder. The only time trademark infringement can occur, is when someone tries to sell an item based on the goodwill of the trademark, but that particular item was not manufactured originally by the owner of the trademark or a party authorized by the owner. Those "not for sale in the US" notices are only an attempt by the publisher to influence potential buyers of the products, to bias

them towards domestic copies of the products. If there were manufacturers' warranties on the goods, then the label also serves to warn the potential customer that the manufacturer most likely will not provide any support for that product. Since there are no warranties on most books, that becomes almost irrelevant to potential customers of these international versions of textbooks.

This is a complex topic, so please feel free to ask for more clarification if needed.

Regards,

aht-ga
Google Answers Researcher

Clarification of Answer by aht-ga on 11 Jan 2004 19:53 PST
ssehgal-ga:

Sorry, just realized that I did not clearly answer "what comprises removal of trademarks". In a nutshell, it means doing whatever it takes to make sure that the average consumer won't be misled into thinking that the product is an authorized copy of the trademark holder's product. For many products, that means ripping off the label bearing the trademark, or covering it up in a permanent way. It is partly because of this that many trademark holders try to design their symbol/logo into the basic design of the product, to make it next to impossible to remove or obliterate the trademark without destroying the product. That bar of Ivory soap, for example, has the Ivory logo molded into it. The Nike

shoes would probably fall apart if you ripped the logo off.

However, given how many products are now actually manufactured by overseas factories for the trademark holders, often it is possible to simply omit putting the trademark on the product in the first place, to allow the product to be imported under a different name (or even no name at all). The best example of this right now would be the cheap DVD players flooding the marketplace. Ever notice how many of the low-end units look almost identical, but have different brand names? In particular, just about every Citizen branded DVD player is made by a manufacturer in China, who simply puts the Citizen logo on the units being requisitioned by Citizen. The exact same DVD players are also sold directly by that factory under at least three other brand names. No trademark infringement is occurring, because the Citizen name does not appear anywhere on these other brand's units.

Regards,

aht-ga
Google Answers Researcher

PS: Thank you very much for the tip!

ssehgal-ga rated this answer ***** and gave an additional tip of $20.00

COMMENTS

Subject: Re: Selling International versions of textbooks to US consumers.

From: kenkckwok-ga on 18 Aug 2004 01:05 PDT

I was very glad to find an interesting article like this.

I have some questions and comments on this topic.

Here is little information about my background.
I am currently a university student in US. I have 2 years experience of selling the international edition books on amazon and half.com. Recently, my account was blocked by amazon.com and half. and here is a copy of the email saying the reason.

> "This message is to inform you that we have blocked your Amazon.com Auctions, zShops and Marketplace account and you will be unable to bid, buy or sell on our site.
>
> We have taken this action because it has come to our attention that you may be selling international economy editions that are under distribution restrictions that prevent them from being sold in the United States. We can not allow the sale of items that are restricted from distribution in the U.S. market."

I am so fraustrated about this and I really want to know the answer if I am doing an illegal thing. Also,

I still have a large volume of the international edition books.

Important Disclaimer: *Answers and comments provided on Google Answers are general information, and we not intended to substitute for informed professional medical, psychiatric, psychological, tax, legal, investment accounting, or other professional advice. Google does not endorse, and expressly disclaims liability for any product, manufacturer. Distributor, service or service provider mentioned or any opinion expressed in answers or comments. Please read carefully the Google Answers Terms of Service.*

If you feel that you have found inappropriate content, please let us know by emailing us at answers-support@google.com with the question ID listed above. Thank you.

IN CLOSING...

Therefore, the current state of US law is that international versions of textbooks that are lawfully manufactured under the authorization of the copyright holder can be legally imported by a party that has acquired them outside of the US, for subsequent resale within the US. While the copyright holder can require that their license holders (the international printers) do not themselves ship manufactured copies directly for public distribution in the US without prior consent, the copyright holder cannot prevent a party from purchasing lawfully manufactured copies outside the

US, and importing them into the US for sale or otherwise disposal.

It almost goes without saying therefore that the US publishers are actively lobbying for changes to the law to prevent this. For some insight into the current state of this lobbying, I suggest you read the Fall 2003 edition of the Professional/Scholarly Publishing Bulletin issued by the Association of American Publishers:

> "MY SAY: AAP/Parallel Importation", by Joe Marcelle
> Professional/Scholarly Publishing Bulletin, Vol. 4, No. 3, Fall 2003
> http://www.pspcentral.org/bulletins/current_bulletin.pdf
>
> (this URL changes with the release of every new bulletin, the archived versions can be found at: http://www.psocentral.org/, under the Bulletin link on the left-hand menu)

The position taken by many publishers is that versions published for non-US markets are substantively different from versions published for the US market. They point to examples such as systems of measurement (Metric in int'l, US Imperial for domestic versions) to say that the parallel imports can create confusion in the marketplace. As a result of this, they can undertake civil action under the trademark act (as cited above) to prevent this. Where this substantive difference does not exist, then as long as they authorize the production of the international versions and their

sale in other countries, the copyright act provides the right to anyone who buys those versions outside of the US to import then into the US and dispose of them as they wish. Even where this difference exists, if the importer takes care to clearly label each item with a notice to the consumer of the difference, and as long as the difference does not violate some other aspect of US law (such as health regulations), then the current law does not prevent the importation and sale of these textbooks.

ADDITIONAL REFERENCES

Copyright and Parallel Imports - Paul Supnik
http://www.supnik.com/coprpar.htm

CLL Articles - Parallel Imports (NOTE: article predates Supreme Court decision on L'Anza case)
http://www.cll.com/articles/article.cfm?articleid=12
- this article is on interest in that it provides a view of the situation prior to the Supreme Court ruling on the L'Anza case

United States - Copyright Protection and Parallel Imports - Ladas & Parry
http://www.ladas.com/BULLETINS/1999/0399Bulletin/USCopyrightParImpt.html

Parallel Imports
http://www.cptech.org/ip/fsd/pi.html

SEARCH STRATEGY

"parallel imports" copyright

ADDITIONAL STRATEGY

- Past knowledge of Legal Information Institute resources
- Personal experience/knowledge

I hope that this information is helpful to you. There is a lot to absorb in this subject, so please let me know via the "Request Clarification" button if you would like me to explain any part of this further. I encourage you to use this opportunity for dialogue prior to rating/accepting this Answer so that I can ensure that you are truly satisfied with the information. While I am not a lawyer, nor do I play one on TV, I have a deep personal interest in this particular area of law, and it was my honour to have been able to Answer this question for you.

Regards,

aht-ga
Google Answers Researcher

Request for Answer Clarification by ssehgal-ga on 11 Jan 2004 15:35 PST
aht-ga:

My question is regarding the clarification of the following:
TRADEMARKS
Under this guideline, goods that are imported bearing a trademark registered in the US, can still be safely imported as long as they are clearly marked as not being offered in the marketplace by

the trademark holder, or as long as the trademarks are removed or obliterated from the goods.

In regards to the statement above, I would like to know what comprises removing of trademarks. Say a person imports a book which has the statement ?not for sale in US? and similar statements in the copyright page of the book. If these trademarks are defaced or removed, i.e. if the statement on the cover is blacked out and the copyright page is torn off, is the book now eligible for sale in a marketplace, accompanying the statements in the comments saying that the imported version of the book is listed and is different in aspects xyz from the original copy being described in the marketplace listing details. Also, it is mentioned above that they are not beeing offered in the marketplace by the trademark holder, so would an importer be considered the trademark holder? If not can he or she offer to sell the product in a marketplace? Eg many listings sold on amazon and half marketplace have defaced the imprints stating that the version is not for sale in the US, and then listed for sale there next to the US versions of the book. Would this act comprise any violation? So I guess the question is that adding a trademark is clearly a violation of the trademark owners right but what governs removing such trademarks?

Clarification of Answer by aht-ga on 11 Jan 2004 19:27 PST

ssehgal-ga:

An excellent follow-up question. First, allow me to restate what constitutes trademark, and more

importantly what constitutes a registered trademark. Citing again from the above:

> "Trademarks are generally distinctive symbols, pictures, or words that sellers affix to distinguish and identify the origin of their products. Trademark status may also be granted to distinctive and unique packaging, color combinations, building designs, product styles, and overall presentations. It is also possible to receive trademark status for identification that is not on its face distinct or unique but which has developed a secondary meaning over time that identifies it with the product or seller."

http://www.law.cornell.edu/topics/trademark.html

In other words, a trademark refers only to something used by the original manufacturer to differentiate their version of the product, from everyone else's version. Take bar soap, for example. Walk into your local drug store, and there is an entire aisle full of different manufacturers' versions of bar soap. In order to differentiate their product from the other products on the shelf, a company like Procter & Gamble uses a distinctive name, 'Ivory', a distinctive graphic (the stylized Ivory logo), and a distinctive slogan, '99 44/100% Pure', to try to make their version of soap stand out. Other manufacturers, like Palmolive, use other names, like 'Dove', to try to make their own product catch your eye.

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So now, to address your follow-up question.

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What all of this means is that no matter how you deface the cover or the copyright page, the book is still copyrighted, the copyright holder still has certain rights over the manufacture of copies of the book, and the parties who buy those copies still have certain rights to sell or dispose of those copies as they see fit.

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Regards,

aht-ga
Google Answers Researcher

Clarification of Answer by aht-ga on 11 Jan 2004 19:53 PST

ssehgal-ga:

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Regards,

aht-ga
Google Answers Researcher

PS: Thank you very much for the tip!

ssehgal-ga rated this answer ***** and gave an additional tip of $20.00.

COMMENTS

Subject Re: Selling International versions of textbooks to US consumers.

From: kenkckwok-ga on 18 Aug 2004 01:05 PDT

I was very glad to find an interesting article like this.

I have some questions and comments on this topic.

Here is little information about my background.
I am currently a university student in US. I have 2 years experience of selling the international edition books on amazon and half.com. Recently, my account was blocked by amazon.com and half. and here is a copy of the email saying the reason.

> "This message is to inform you that we have blocked your Amazon.com Auctions, zShops and Marketplace account and you will be unable to bid, buy or sell on our site.
>
> We have taken this action because it has come to our attention that you may be selling international economy editions that are under distribution restrictions that prevent them from being sold in the United States. We can not allow the sale of items that are restricted from distribution in the U.S. market."

I am so fraustrated about this and I really want to know the answer if I am doing an illegal thing. Also,

I still have a large volume of the international edition books.

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Wiley Asia Student Edition

MATERIALS SCIENCE AND ENGINEERING: AN INTRODUCTION

[IMAGE OMITTED]

WILLIAM D. CALLISTER

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Defendant's
Exhibit B

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Wiley Asia Student Edition

Fundamentals of

Heat and Mass Transfer

[IMAGE OMITTED]

SIXTH EDITION

Incropera, DeWitt, Bergmann, Lavine

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Wiley International Student Version

Wiley Plus

[IMAGE OMITTED]

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JURY CHARGE EXCERPT

[143:4 – 9]

[149] Now I must add something. At this point the only evidence on the question of the copyright is the evidence of the certificates. Therefore, I will instruct you to find on the first question on your verdict form that yes, plaintiff is the owner of a valid copyright on each of these eight textbooks.

JURY INSTRUCTIONS ON UNCONTESTED FACTS

Also, you need to know that some of the facts related to this matter are uncontested.

First, it is uncontested that the Defendant moved to the U.S. from Thailand in approximately 1997 to pursue a Bachelor of Science degree in mathematics at Cornell University, and that four years later he was awarded his degree.

Second, the Defendant did not personally bring books from overseas into this country; they were shipped to California *via* UPS express and ocean freight, as directed, by friends and family (who he would later reimburse from sales he would make on eBay).

Third, at all times, of the Wiley textbooks the Defendant has sold, the Defendant has received and sold only Wiley textbooks printed abroad by the Plaintiff's authorized Asian subsidiary, Wiley Asia. The Defendant then sold these Foreign Editions over the internet at lower prices than the prices at which Wiley sells its textbooks.

Fourth, Wiley owns the United States copyrights for the following works, for which it has received the Certificates of Registration from the United States Registrar of Copyrights on the following dates:

Title
Date of Registration

Accounting Principles
July 13, 1987

Fundamentals of Physics: Part 1,
September 17, 2007

Information Technology for Management
August 20, 2004

Introduction to Heat Transfer
August 14, 2006

Management
May 17, 2004

Materials Science and Engineering:
An Introduction
June 19, 2006

Organic Chemistry
April 19, 1989

Fifth, Kirtsaeng made sales of the following Foreign Editions after the date of registration of the U.S. copyright, as his PayPal records evidence:

Title Date of Registration Registration Number Edition Number	PayPal Account Date of Sale Row Number Edition Number
Accounting Principles July 13, 1987 TX-2-111-034 First Edition	Trans. Log 2 December 23, 2007 20719 Eighth Edition

Fundamentals of Heat and Mass Transfer	
July 28, 2006	Trans. Log 2
TX-6-410-153	December 26, 2007
Sixth Edition	20594
	Sixth Edition
Fundamentals of Physics:	
Part 1,	Trans. Log 2
September 17, 2007	August 16, 2008
TX-6-827-902	11624
Eighth Edition	Eighth Edition
Information Technology for Management	
August 20, 2004	Trans. Log 2
TX-6-013-876	July 5, 2007
Fourth Edition	25155
Introduction to Heat Transfer	
August 14, 2006	Trans. Log 2
TX-6-407-668	December 28, 2007
Fifth Edition	20373
	Fifth Edition
Management	Trans. Log 2
May 17, 2004	January 5, 2009
TX-5-964-667	4417
Eighth Edition	Ninth Edition
Materials Science and Engineering:	
An Introduction	
June 19, 2006	Trans. Log 2
TX-6-405-304	August 5, 2007
Seventh Edition	24870

Organic Chemistry	Trans. Log 2
April 19, 1989	May 21, 2008
TX-2-544-723	13792
Fourth Edition	Ninth Edition

Sixth, Kirtsaeng made 625 additional sales, during the years 2006 through 2009, of the following titles:

Accounting Principles – 90 sales

Fundamentals of Heat and Mass Transfer – 93 sales

Fundamentals of Physics: Part 1 – 43 sales

Information Technology for Management – 101 sales

Introduction to Heat Transfer – 87 sales

Management – 60 sales

Materials Science and Engineering: An Introduction – 41 sales

Organic Chemistry – 110 sales

Seventh, the Wiley textbooks at issue here, which the Defendant has received and sold, are only Wiley textbooks originally acquired from the foreign copyright owner, namely John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), and bear a U.S. copyright notice.

Eighth, the books sold by the Defendant were manufactured in accordance with a Reprint Agreement whereby the Plaintiff assigned to Wiley Asia the rights to publish, manufacture, and sell

certain of its copyrighted works. There is no claim here that these were counterfeit books.

Ninth, the Foreign Editions state on the back cover:

> "Authorized for sale in Europe, Asia, Africa and the Middle East Only. This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required."

Tenth, direct evidence demonstrates that Kirtsaeng received $37,000 in revenue from the sale of Foreign Editions of the eight (8) Wiley works that are the subject of the trial.

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

No. 08 Civ. 7834 (DCP)

JOHN WILEY & SONS, INC.,

Plaintiff,

-against-

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99 and JOHN DOE NOS. 1-5,

Defendants.

JURY TRIAL

Before:

HON. DONALD C. POGUE

New York, N.Y.
November 4, 2009
9:30 a.m.

JURY VERDICT

[157:10 - 165:3]

[157] (10:25 a.m.; jury not present)

THE COURT: The Court has received the following note from the jurors. "The jury has reached a verdict." At this time we will bring the jury back into court.

(Jury present)

THE COURT: Could you please identify the foreperson.

JUROR NO. 3: Yes, I'm the foreperson.

THE COURT: Mr. Kumro. It is my understanding that the jury has reached a verdict.

THE FOREPERSON: Yes, it has, your Honor.

THE COURT: May I see that, please. You may read the verdict.

THE CLERK: Will the foreperson please stand. In the case of John Wiley & Sons v. Supap Kirtsaeng.

[158] Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook? Your answer?

THE FOREPERSON: Yes.

THE CLERK: Did the plaintiff prove that the defendant infringed the plaintiff's U.S. copyright on

this textbook by (a) distributing copies of this copyrighted textbook or (b) importing copies of this copyrighted textbook?

THE FOREPERSON: Yes.

THE CLERK: Vicariously and contributorily?

THE FOREPERSON: Yes, to all three.

THE CLERK: Did the plaintiff prove the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove he was not aware and had no aware and had no reason to believe that he infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FOREPERSON: $75,000.

THE CLERK: Fundamentals of Heat & Mass Transfer book. Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

[159] THE CLERK: Question 2: Did the plaintiff prove the defendant infringed the plaintiff's U.S.

copyright on this textbook by (a) distributing copies of this copyrighted textbook, (b) importing copies of this copyrighted textbook (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes, to all three.

THE CLERK: Question 3: Did the plaintiff prove that the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove he was not aware and had no reason to believe that he infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FOREPERSON: $75,000.

THE CLERK: Book 3: Fundamental of Physics. Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

THE CLERK: Did the plaintiff prove that the defendant infringed the plaintiff's U.S. copyright on this textbook by (a) distributing the copies of this copyrighted textbook, (b) importing copies of this

copyrighted textbook (i) vicariously [160] and (ii) contributorily?

THE FOREPERSON: Yes to all three.

THE CLERK: Question 3: Did the plaintiff prove that the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove that he was not aware and had no reason believe the he infringed the plaintiff's U.S. copyright on this textbook?

THE FORPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FORPERSON: $75,000.

THE CLERK: Book 4, Information Technology for Management. Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 2: Did the plaintiff prove the defendant infringed the plaintiff's U.S. copyright on this textbook by (a) distributing copies of this copyrighted textbook, (b) importing copies of this copyrighted textbook (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes, to all three.

THE CLERK: Question 3: Did the plaintiff prove that the defendant willfully infringed the plaintiff's U.S. [161] copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove he was not aware and had no reason to believe that he infringed that plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FOREPERSON: $75,000.

THE CLERK: Book 5, Introduction to Heat Transfer. Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 2: Did the plaintiff prove the defendant infringed the plaintiff's U.S. copyright on this textbook by (a) distributing copies of this copyrighted textbook, (b) importing copies of this copyrighted textbook, (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes to all three.

THE CLERK: Question 3: Did the plaintiff prove that the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove he was not aware and had no reason to believe that he infringed [162] the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE CLERK: Book 6, Materials Science & Engineering: An Introduction. Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 2: Did the plaintiff prove that the defendant infringed the plaintiff's U.S. copyright on this textbook, by (a) distributing copies of this copyrighted textbook, importing copies of this copyrighted textbook (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes to all three.

THE CLERK: Question 3: Did the plaintiff prove the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4. Did the defendant prove he was not aware and had no reason to believe that he infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damages to award the plaintiff?

[163] THE FOREPERSON: $75,000.

THE CLERK: Book 7, Management. Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 2: Did the plaintiff prove that the defendant infringed the plaintiff's U.S. copyright on this textbook by (a) distributing copies of this copyrighted textbook, (b) importing copies of this copyrighted textbook (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes to all three.

THE CLERK: Question 3: Did the plaintiff prove the defendant willfully infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: Question 4: Did the defendant prove he was not aware and had no reason to believe that he infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FOREPERSON: $75,000.

THE CLERK: Book 8, Organic Chemistry. Question 1: Did the plaintiff prove it owns a valid U.S. copyright as to this textbook?

[164] THE FOREPERSON: Yes.

THE CLERK: Question 2: Did the plaintiff prove the defendant infringed the plaintiff's U.S. copyright on this textbook by (a) distributing copies of this copyrighted textbook, (b) importing copies of this copyrighted textbook (i) vicariously and (ii) contributorily?

THE FOREPERSON: Yes to all three.

THE CLERK: Question 3: Did the plaintiff prove that the defendant willfully infringe the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: Yes.

THE CLERK: QUESTION 4: Did the defendant prove he was not aware and had no reason to believe

that he infringed the plaintiff's U.S. copyright on this textbook?

THE FOREPERSON: No.

THE CLERK: Question 5: Amount of statutory damage to award the plaintiff?

THE FOREPERSON: $ 75,000.

THE CLERK: Thank you. You may be seated.

Ladies and gentleman of the jury, you just heard your verdict as it stands recorded. I will not poll the jury. (Jury polled, all answered in the affirmative)

THE CLERK: Jury polled, verdict unanimous.

THE COURT: This concludes the trial. It is now my duty to excuse you. Thank you, first, for your service. We [165] appreciate the time that you given to this matter. I appreciate what it has done for the government. Thank you very much. You are excused.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 08 Civ. 7834
(GEL) (DCP)

JOHN WILEY & SONS, INC.,

Plaintiff,

v.

SUPAP KIRTSAENG, d/b/a
BLUECHRISTINE99, et al.,

Defendants.

VERDICT FORM

For each of the eight (8) textbooks, please determine:

(I) whether the Plaintiff proved, by a preponderance of the evidence, that the Plaintiff is the owner of a valid United States copyright on the textbook;

(II) whether the Plaintiff proved, by a preponderance of the evidence, that the Defendant infringed on the Plaintiff's U.S. copyright on the textbook, by

(a) distributing copies of the copyrighted textbook; and/or by

(b) importing copies of the copyrighted textbook:

(i) vicariously; and/or

(ii) contributorily.

(III) whether the Plaintiff proved, by a preponderance of the evidence, that the Defendant willfully infringed the textbook copyright—*Please note,* as the court instructed before, that you *cannot* find *both* that the Defendant's infringement was willful and that the Defendant was not aware and had no reason to believe that his acts constituted infringement because a finding of "yes" on both issues would be contradictory;

(IV) whether the Defendant proved, by a preponderance of the evidence, that the Defendant was not aware and had no reason to believe that his acts constituted infringement of the textbook copyright—Again, *please note* that you *cannot* find *both* that the Defendant's infringement was willful and that the Defendant was not aware and had no reason to believe that his acts constituted infringement because a finding of "yes" on both issues would be contradictory; and

(V) the amount of statutory damages, if any, to award the Plaintiff as to infringement of the Plaintiff's U.S. copyright on that particular textbook. Please remember to consult the guidelines on statutory damage awards that the court provided in the jury instructions.

Please complete the form below.

1. Accounting Principles:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No)	Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:		
(a) Distributing copies of this copyrighted textbook?	(Yes or No)	Yes
(b) Importing copies of this copyrighted textbook:		
(i) Vicariously?	(Yes or No)	Yes
(ii) Contributorily?	(Yes or No)	Yes
(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	No
(V) Amount of statutory damage to award the Plaintiff:		$75,000.00

2. Fundamentals of Heat and Mass Transfer:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No)	Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:		
(a) Distributing copies of this copyrighted textbook?	(Yes or No)	Yes
(b) Importing copies of this copyrighted textbook:		
(i) Vicariously?	(Yes or No)	Yes
(ii) Contributorily?	(Yes or No)	Yes
(III) Did the Plaintiff prove th Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	No
(V) Amount of statutory damage to award the Plaintiff:		$75,000.00

3. Fundamentals of Physics:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No) Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:	
(a) Distributing copies of this copyrighted textbook?	(Yes or No) Yes
(b) Importing copies of this copyrighted textbook:	
(i) Vicariously?	(Yes or No) Yes
(ii) Contributorily?	(Yes or No) Yes
(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No) Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No) No
(V) Amount of statutory damage to award the Plaintiff:	$75,000.00

4. Information Technology for Management:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No)	Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:		
(a) Distributing copies of this copyrighted textbook?	(Yes or No)	Yes
(b) Importing copies of this copyrighted textbook:		
(i) Vicariously?	(Yes or No)	Yes
(ii) Contributorily?	(Yes or No)	Yes
(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	No
(V) Amount of statutory damage to award the Plaintiff:		$75,000.00

5. Introduction to Heat Transfer:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No)	Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:		
(a) Distributing copies of this copyrighted textbook?	(Yes or No)	Yes
(b) Importing copies of this copyrighted textbook:		
(i) Vicariously?	(Yes or No)	Yes
(ii) Contributorily?	(Yes or No)	Yes
(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	No
(V) Amount of statutory damage to award the Plaintiff:		$75,000.00

6. Materials Science and Engineering: An Introduction:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook?	(Yes or No)	Yes
(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:		
(a) Distributing copies of this copyrighted textbook?	(Yes or No)	Yes
(b) Importing copies of this copyrighted textbook:		
(i) Vicariously?	(Yes or No)	Yes
(ii) Contributorily?	(Yes or No)	Yes
(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	Yes
(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook?	(Yes or No)	No
(V) Amount of statutory damage to award the Plaintiff:		$75,000.00

7. Management:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook? (Yes or No) Yes

(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:

(a) Distributing copies of this copyrighted textbook? (Yes or No) Yes

(b) Importing copies of this copyrighted textbook:

(i) Vicariously? (Yes or No) Yes

(ii) Contributorily? (Yes or No) Yes

(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook? (Yes or No) Yes

(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook? (Yes or No) No

(V) Amount of statutory damage to award the Plaintiff: $75,000.00

8. Organic Chemistry:

(I) Did the Plaintiff prove it owns a valid U.S. copyright as to this textbook? (Yes or No) Yes

(II) Did the Plaintiff prove the Defendant infringed the Plaintiff's U.S. copyright on this textbook by:

(a) Distributing copies of this copyrighted textbook? (Yes or No) Yes

(b) Importing copies of this copyrighted textbook:

(i) Vicariously? (Yes or No) Yes

(ii) Contributorily? (Yes or No) Yes

(III) Did the Plaintiff prove the Defendant *willfully* infringed the Plaintiff's U.S. copyright on this textbook? (Yes or No) Yes

(IV) Did the Defendant prove he *was not aware and had no reason to believe* that he infringed the Plaintiff's U.S. copyright on this textbook? (Yes or No) No

(V) Amount of statutory damage to award the Plaintiff: $75,000.00

11/4/2009 /s/ FOREPERSON SIGNATURE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

---

08 Civ. 7834 (DCP)

JOHN WILEY & SONS, INC.,

Plaintiff,

- v. -

SUPAP KIRTSAENG,
d/b/a BLUE CHRISTINE 99, et al.,

Defendants.

ORDER

This Order denies Plaintiff and judgment creditor John Wiley & Sons, Inc.'s ("Wiley") motion to require Defendant to deliver certain personal property in order to partially satisfy Wiley's judgment in the captioned matter. Specifically, Wiley's motion seeks delivery of a 2001 Audi A6, a computer, a fax/printer/scanner, and a set of golf clubs pursuant to Fed. R. Civ. P. 69(a) (1) and N.Y. C.P.L.R. 5225(a) (McKinney 1997 & Supp. 2010) and in partial satisfaction of the judgment issued in Wiley's favor.[1]

---

[1] In response, Defendant agrees to provide to Wiley the title to the golf clubs, so these are no longer at issue. See N.Y.

The substantive dispute between the parties involves the disposition of the 2001 Audi. The issue presented is therefore whether the New York statutes upon which Wiley relies permit it to reach the car. See Fed. R. Civ. P. 69(a) (1).

N.Y. C.P.L.R. 5225 and 5227 together provide a collection device for each of three categories of assets: "(i) debts owed to the judgment debtor; (ii) property owned by and in the possession of the judgment debtor; and (iii) property owned by the judgment debtor but in the possession of someone other than the judgment debtor." Alliance Bond Fund, Inc. v. Grupo Mexicano de Desarrollo, S.A., 190 F.3d 16, 21 (2d Cir. 1999). Custody or possession of property, however, does not by itself render that property subject to collection. In addition to possession, the judgment debtor must have an "interest" in the property. N.Y. C.P.L.R. 5225(a) ("Upon motion of the judgment creditor, upon notice to the judgment debtor, where it is shown that the judgment debtor is in possession or custody of money or other personal property in which he has an interest, the court shall order that the judgment debtor pay the money, or so much of it as is sufficient to satisfy the judgment, to the judgment creditor and, if the amount to be so paid is insufficient to satisfy the judgment, to deliver any

---

C.P.L.R. 5225(c). In addition, the temporary use of the computer and fax/printer/scanner is exempt from delivery as these are articles necessary to Defendant's professional work. See id. 5205(a)(7). Plaintiff offers no evidence to the contrary. The court notes that the Defendant agrees that he will deliver these articles to Plaintiff upon Defendant's achievement of his Ph.D.

other personal property, or so much of it as is of sufficient value to satisfy the judgment, to a designated sheriff.") (emphasis added).

Defendant admits to custody or possession of the car, but Defendant claims that he no longer holds the car's title. Wiley makes no contrary showing. It follows that, on this record, Wiley's motion cannot reach the car.[2]

As a result:

- Pursuant to Defendant's agreement, Defendant is directed, upon achievement of his Ph.D., to deliver his computer and fax/printer/scanner to Plaintiff; and
- Pursuant to Defendant's agreement, Defendant is directed to provide Plaintiff with title to the golf clubs; and
- Plaintiff's motion is otherwise DENIED.

It is so ORDERED.

---

[2] Any claim that Defendant fraudulently conveyed the car to another must be pursued in a special proceeding filed against the current title-holder of the car. See N.Y. C.P.L.R. 5225(b); N.Y. Debt. & Cred. Law § 270-81 (McKinney 2001 & Supp. 2010). See also Ren-Cris Litho, Inc. v. Vantage Graphics, Inc., No. 96-7802, 1997 U.S. App. LEXIS 3333, at *9 (2d Cir. Feb. 24, 1997); WBP Cent. Assoc. v. DeCola, 855 N.Y.S.2d 210, 211 (N.Y. App. Div. 2008); Gelbard v. Esses, 465 N.Y.S.2d 264, 267 (N.Y. App. Div. 1983); David D. Siegel, New York Practice 868 (4th ed. 2005).

/s/ Donald C. Pogue
Donald C. Pogue, Judge[3]

Dated: February 17, 2010
New York, New York

[3] Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

RECORD
AND
BRIEFS

JUL 2 -

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

SUPPLEMENTAL JOINT APPENDIX

E. Joshua Rosenkranz
Counsel of Record
ORRICK, HERRINGTON & SUTCLIFFE LLP
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Theodore B. Olson
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tolson@gibsondunn.com
Counsel for Respondent

Petition for Writ of Certiorari filed Dec. 5, 2011
Certiorari Granted Apr. 16, 2012

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CERTIFICATE OF COPYRIGHT REGISTRATION

OFFICIAL SEAL

This certificate, issued under the seal of the Copyright Office in accordance with the provisions of section 410(a) of title 17, United States Code, attests that copyright registration has been made for the work identified below. The information in this certificate has been made a part of the Copyright Office records.

REGISTER OF COPYRIGHTS
United States of America

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UNITED STATES COPYRIGHT OFFICE

REGISTRATION NUMBER

TX 2 111 034

TX TXU

EFFECTIVE DATE OF REGISTRATION

Month 13 Day 87 Year

DO NOT WRITE ABOVE THIS LINE. IF YOU NEED MORE SPACE, USE A SEPARATE CONTINUATION SHEET.

1 TITLE OF THIS WORK ▼

ACCOUNTING PRINCIPLES D(1-03863-6)

PREVIOUS OR ALTERNATIVE TITLES ▼

PRINCIPLES OF ACCOUNTING

PUBLICATION AS A CONTRIBUTION If this work was published as a contribution to a periodical, serial, or collection, give information about the collective work in which the contribution appeared. Title of Collective Work ▼

If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼

Jerry J. Weygandt

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"? ☐ Yes ☒ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR Citizen of ▶ ____
Domiciled in ▶ U.S.A.

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
Anonymous? ☐ Yes ☒ No
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If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of the material created by this author in which copyright is claimed. ▼

Co-author of entire work.

NOTE Under the law

b NAME OF AUTHOR ▼

Donald E. Kieso

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"? ☐ Yes ☒ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR Citizen of ▶ ____
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WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
Anonymous? ☐ Yes ☒ No
Pseudonymous? ☐ Yes ☒ No
If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of the material created by this author in which copyright is claimed. ▼

Co-author of entire work.

c NAME OF AUTHOR ▼

Walter G. Kell

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Was this contribution to the work a "work made for hire"? ☐ Yes ☒ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR Citizen of ▶ ____
Domiciled in ▶ U.S.A.

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Pseudonymous? ☐ Yes ☒ No
If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of the material created by this author in which copyright is claimed. ▼

Co-author of entire work.

01370616 9

3 YEAR IN WHICH CREATION OF THIS WORK WAS COMPLETED This information must be given in all cases.

1986 ◀ Year

DATE AND NATION OF FIRST PUBLICATION OF THIS PARTICULAR WORK
Complete this information ONLY if this work has been published.

Month ▶ January Day ▶ 30 Year ▶ 1987

U.S.A. ◀ Nation

4 COPYRIGHT CLAIMANT(S) Name and address must be given even if the claimant is the same as the author given in space 2. ▼

See instructions before completing this space

John Wiley & Sons, Inc.
605 Third Avenue
New York City, New York 10158

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JUL 13 1987

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JUL 13 1987

REMITTANCE NUMBER AND DATE

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Page 1 of 2 pages

TX 2 111 034

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FORM TX

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☐ This is the first application submitted by this author as copyright claimant.

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If your answer is "Yes," give: Previous Registration Number ▼ Year of Registration ▼

5

DERIVATIVE WORK OR COMPILATION Complete both space 6a & 6b for a derivative work; complete only 6b for a compilation.

a. **Preexisting Material** Identify any preexisting work or works that this work is based on or incorporates. ▼

Some previously copyrighted textual and illustrative material is used with permission.

6

b. **Material Added to This Work** Give a brief, general statement of the material that has been added to this work and in which copyright is claimed. ▼

Entire work, except above-cited (see 6a) is new.

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Name ▼ John Wiley & Sons, Inc.

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CORRESPONDENCE Give name and address to which correspondence about this application should be sent. Name/Address/Apt/City/State/Zip ▼

Katherine Stone/John Wiley & Sons, Inc.
605 Third Avenue
New York City, New York 10158

Area Code & Telephone Number ▶ (212) 850-6357

Be sure to give your daytime phone number

CERTIFICATION* I, the undersigned, hereby certify that I am the

Check one ▶

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10

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Teresa Hartnett date ▶ June 29, 1987

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Name ▼ Katherine Stone
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000002

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February 1985—200,000

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TX 6-410-153

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ATE CONTINUATION SHEET

1 TITLE OF THIS WORK ▼
Fundamentals of Heat and Mass Transfer 6th Edition

PREVIOUS OR ALTERNATIVE TITLES ▼

PUBLICATION AS A CONTRIBUTION If this work was published as a contribution to a periodical, serial, or collection, give information about the collective work in which the contribution appeared. Title of Collective Work ▼

If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼
Frank P Incropera

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☒ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
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WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
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If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼
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NOTE Under the law, the "author" of a "work made for hire" is generally the employer, not the employee (see instructions). For any part of this work that was "made for hire" check "Yes" in the space provided, give the employer (or other person for whom the work was prepared) as "Author" of that part, and leave the space for dates of birth and death blank.

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Theodore L Bergman

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NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼
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c NAME OF AUTHOR ▼
Adrienne S Lavine

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111 River Street
Hoboken, NJ 07030

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a. ☐ This is the first published edition of a work previously registered in unpublished form.

b. ☐ This is the first application submitted by this author as copyright claimant.

c. ☑ This is a changed version of the work, as shown by space 6 on this application.

If your answer is Yes, give: Previous Registration Number ▶ TX 5-457 784 Year of Registration ▶ 2001

DERIVATIVE WORK OR COMPILATION **6**

Preexisting Material Identify any preexisting work or works that this work is based on or incorporates. ▼ a

Previous edition

Material Added to This Work Give a brief, general statement of the material that has been added to the work and in which copyright is claimed. ▼ b

Preface revised and additional text

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Name ▼ John Wiley & Sons Inc Account Number ▼ DA010049 a

CORRESPONDENCE Give name and address to which correspondence about this application should be sent. Name/Address/Apt/City/State/ZIP ▼ b

Mable Jackson/Copyright Department
John Wiley & Sons Inc
111 River Street
Hoboken NJ 07030

Area code and daytime telephone number ▶ (201) 748 6325 Fax number ▶

Email ▶

CERTIFICATION* I, the undersigned, hereby certify that I am the **8**

Check only one ▶
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- ☐ other copyright claimant
- ☑ owner of exclusive right(s)
- ☐ authorized agent of John Wiley & Sons, Inc

Name of author or other copyright claimant, or owner of exclusive right(s) ▲

of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge.

Typed or printed name and date ▼ If this application gives a date of publication in space 3, do not sign and submit it before that date.

Mable Jackson Date ▶ 7/21/06

Handwritten signature (X) ▼

X Mable Jackson

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Washington D.C. 20559-6000

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17 U.S.C. § 506(e): Any person who knowingly makes a false representation of a material fact in the application for copyright registration provided for by section 409, or in any written statement filed in connection with the application, shall be fined not more than $2,500.

June 1999—200,000
WEB REV June 1999

U.S. GOVERNMENT PRINTING OFFICE: 1999-454-879/49

000022

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Marybeth Peters

Register of Copyrights, United States of America

Registration Number:

TX 6-827-902

Effective date of registration:

September 17, 2007

Title

Title of Work: Fundamentals of Physics, 8th Edition Part I Chapters I -11

Completion/ Publication

Year of Completion: 2006

Date of 1st Publication: December 5, 2006 **Nation of 1st Publication:** United States

Author

- **Author:** David Halliday

Author Created: Preface, revised and additional text

Work made for hire: No

Citizen of: United States

Anonymous: No **Pseudonymous:** No

- **Author:** Robert Resnick

Author Created: Preface, revised and additional text

Work made for hire: No

Citizen of: United States

Anonymous: No **Pseudonymous:** No

- **Author:** Jearl Walker

Author Created: Preface, revised and additional text

Work made for hire: No

Citizen of: United States

Anonymous: No **Pseudonymous:** No

Copyright claimant

Copyright Claimant: John Wiley & Sons, Inc.
111 River Street, Hoboken, NJ, 07030

Transfer Statement: by written agreement

Limitation of copyright claim

Material excluded from this claim: Previous edition

Previously registered: Yes

Previous registration and year: TX 5-914-662 2004

Basis of current registration: This is a changed version of the work.

New material included in claim: Preface, revised and additional text

Certification

Name: Mable Jackson

Date: September 7, 2007

IPN#:

Registration #: TX0006827902

Service Request #: 1-16133872

John Wiley & Sons, Inc.
Mable Jackson /Copyright Department (0470044756) C
111 River Street
Hoboken, NJ 07030-5774

Certificate of Registration

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Marybeth Peters

Register of Copyrights, United States of America

FORM TX
For a Nondramatic Literary Work
UNITED STATES COPYRIGHT OFFICE

R

TX 6-013-876

EFFECTIVE DATE OF REGISTRATION
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DO NOT WRITE ABOVE THIS LINE. IF YOU NEED MORE SPACE, USE A SEPARATE CONTINUATION SHEET

1 TITLE OF THIS WORK ▼

Information Technology for Management, 4th Edition

PREVIOUS OR ALTERNATIVE TITLES ▼

PUBLICATION AS A CONTRIBUTION If this work was published as a contribution to a periodical, serial, or collection, give information about the collective work in which the contribution appeared. Title of Collective Work ▼

If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼
Efraim Turban

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No
If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼
co-author of Preface, revised and additional text

NOTE
Under the law, the "author" of a "work made for hire" is generally the employer, not the employee (see instructions). For any part of this work that was "made for hire" check "Yes" in the space provided, give the employer (or other person for whom the work was prepared) as "Author" of that part, and leave the space for dates of birth and death blank.

b NAME OF AUTHOR ▼
Ephraim McLean

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No
If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼
co-author of Preface, revised and additional text

c NAME OF AUTHOR ▼
James Wetherbe

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No
If the answer to either of these questions is "Yes," see detailed instructions.

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼
co-author of Preface, revised and additional text

3 a YEAR IN WHICH CREATION OF THIS WORK WAS COMPLETED
2002 ◀ Year in all cases
This information must be given

b DATE AND NATION OF FIRST PUBLICATION OF THIS PARTICULAR WORK
Complete this information ONLY if this work has been published
Month ▶ December Day ▶ 19 Year ▶ 2003
USA ◀ Nation

4 See instructions before completing this space.

COPYRIGHT CLAIMANT(S) Name and address must be given even if the claimant is the same as the author given in space 2 ▼

John Wiley & Sons, Inc
111 River Street
Hoboken, N.J. 07030

TRANSFER If the claimant(s) named here in space 4 is (are) different from the author(s) named in space 2, give a brief statement of how the claimant(s) obtained ownership of the copyright ▼

by written agreement

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Page 1 of 2 pages

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☐ CORRESPONDENCE Yes | FOR COPYRIGHT OFFICE USE ONLY

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PREVIOUS REGISTRATION Has registration for this work, or for an earlier version of this work, already been made in the Copyright Office? **5**

☑ Yes ☐ No If your answer is "Yes," why is another registration being sought? (Check appropriate box.) ▼

a. ☐ This is the first published edition of a work previously registered in unpublished form.

b. ☐ This is the first application submitted by this author as copyright claimant.

c. ☑ This is a changed version of the work, as shown by space 6 on this application.

If your answer is "Yes," give: Previous Registration Number ▶ TX 5-473-492 Year of Registration ▶ 2002

DERIVATIVE WORK OR COMPILATION **6**

Preexisting Material Identify any preexisting work or works that this work is based on or incorporates. ▼ a

Previous edition

Material Added to This Work Give a brief, general statement of the material that has been added to this work and in which copyright is claimed. ▼ b

Preface, revised and additional text

See instructions before completing this space

DEPOSIT ACCOUNT If the registration fee is to be charged to a Deposit Account established in the Copyright Office, give name and number of Account. **7**

Name ▼ John Wiley & Sons, Inc Account Number ▼ DAO10049 a

CORRESPONDENCE Give name and address to which correspondence about this application should be sent. Name/Address/Apt/City/State/ZIP ▼ b.

Mable Jackson/Copyright Department
John Wiley & Sons, Inc
111 River Street
Hoboken, NJ 07030

Area code and daytime telephone number ▶ (201) 748-6325 Fax number ▶

Email ▶

CERTIFICATION* I, the undersigned, hereby certify that I am the **8**

Check only one ▶
- ☐ author
- ☐ other copyright claimant
- ☑ owner of exclusive right(s)
- ☐ authorized agent of John Wiley & Sons, Inc

Name of author or other copyright claimant, or owner of exclusive right(s) ▲

of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge.

Typed or printed name and date ▼ If this application gives a date of publication in space 3, do not sign and submit it before that date.

Mable Jackson Date ▶ 8/17/04

Handwritten signature (X) ▼

X Mable Jackson

Certificate will be mailed in window envelope to this address

Name ▼
Mable Jackson/Copyright Department (0471229679) D

Number/Street/Apt ▼
John Wiley & Sons, Inc., 111 River Street

City/State/ZIP ▼
Hoboken, NJ 07030-5774

YOU MUST: **9**
Complete all necessary spaces
Sign your application in space 8

SEND ALL 3 ELEMENTS IN THE SAME PACKAGE
1. Application form
2. Nonrefundable filing fee in check or money order payable to Register of Copyrights
3. Deposit material

MAIL TO
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Copyright Office
101 Independence Avenue, S.E.
Washington, D.C. 20559-6000

As of July 1, 1999, the filing fee for Form TX is $30.

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June 1999—200,000
WEB REV: June 1999

☆U.S. GOVERNMENT PRINTING OFFICE: 1999-454-879/41

000034

Certificate of Registration

This Certificate issued under the seal of the Copyright Office in accordance with title 17, United States Code, attests that registration has been made for the work identified below. The information on this certificate has been made a part of the Copyright Office records.

Marybeth Peters

Register of Copyrights, United States of America

FORM TX
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UNITED STATES COPYRIGHT OFFICE

REG TX 6-407-668

EFFECTIVE DATE OF REGISTRATION
AUG 14 2006
Month Day Year

DO NOT WRITE ABOVE THIS LINE. IF YOU NEED MORE SPACE, USE A SEPARATE CONTINUATION SHEET.

1 TITLE OF THIS WORK ▼
Introduction to Heat Transfer, 5th Edition

PREVIOUS OR ALTERNATIVE TITLES ▼

PUBLICATION AS A CONTRIBUTION If this work was published as a contribution to a periodical, serial, or collection, give information about the collective work in which the contribution appeared. Title of Collective Work ▼

If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼
Frank P. Incropera

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes ☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
If the answer to either of these questions is "Yes," see detailed instructions.
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed. ▼
~~co-author of Preface~~, revised and additional text * author of Foreword to Preface

NOTE
Under the law, the "author" of a "work made for hire" is generally the employer, not the employee (see instructions). For any part of this work that was "made for hire" check "Yes" in the space provided, give the employer (or other person for whom the work was prepared) as "Author" of that part, and leave the space for dates of birth and death blank.

b NAME OF AUTHOR ▼
Theodore Bergman

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes ☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
If the answer to either of these questions is "Yes," see detailed instructions.
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed. ▼
co-author of Preface, revised and additional text

c NAME OF AUTHOR ▼
Adrienne Lavine

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes ☑ No

AUTHOR'S NATIONALITY OR DOMICILE
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OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
If the answer to either of these questions is "Yes," see detailed instructions.
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed. ▼
co-author of Preface, revised and additional text

3 a YEAR IN WHICH CREATION OF THIS WORK WAS COMPLETED
2005 ◀ Year in all cases
This information must be given

b DATE AND NATION OF FIRST PUBLICATION OF THIS PARTICULAR WORK
Complete this information ONLY if this work has been published.
Month ▶ March Day ▶ 23 Year ▶ 2006
USA ◀ Nation

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John Wiley & Sons, Inc.
111 River Street
Hoboken, N J 07030

See instructions before completing this space.

TRANSFER If the claimant(s) named here in space 4 is (are) different from the author(s) named in space 2, give a brief statement of how the claimant(s) obtained ownership of the copyright. ▼
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* Amended by C.O. per phone call to Mabel Jackson on September 11, 2006.

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☐ CORRESPONDENCE Yes

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PREVIOUS REGISTRATION Has registration for this work, or for an earlier version of this work, already been made in the Copyright Office? **5**

☑ Yes ☐ No If your answer is "Yes," why is another registration being sought? (Check appropriate box.) ▼

a. ☐ This is the first published edition of a work previously registered in unpublished form.

b. ☐ This is the first application submitted by this author as copyright claimant.

c. ☑ This is a changed version of the work, as shown by space 6 on this application.

If your answer is "Yes," give: Previous Registration Number ▶ TX 5-951-039 Year of Registration ▶ 2004

DERIVATIVE WORK OR COMPILATION **a 6**

Preexisting Material Identify any preexisting work or works that this work is based on or incorporates. ▼

Previous edition

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Material Added to This Work Give a brief, general statement of the material that has been added to this work and in which copyright is claimed. ▼ **b**

Preface, revised and additional text

DEPOSIT ACCOUNT If the registration fee is to be charged to a Deposit Account established in the Copyright Office, give name and number of Account. **a 7**

Name ▼ John Wiley & Sons, Inc.

Account Number ▼ DA010049

CORRESPONDENCE Give name and address to which correspondence about this application should be sent. Name/Address/Apt/City/State/ZIP ▼ **b**

Mable Jackson/Copyright Department
John Wiley & Sons, Inc.
111 River Street
Hoboken, N J 07030

Area code and daytime telephone number ▶ (201) 748-6325 Fax number ▶

Email ▶

CERTIFICATION* I, the undersigned, hereby certify that I am the **8**

Check only one ▶
- ☐ author
- ☐ other copyright claimant
- ☑ owner of exclusive right(s)
- ☐ authorized agent of John Wiley & Sons, Inc.

Name of author or other copyright claimant, or owner of exclusive right(s) ▲

of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge.

Typed or printed name and date ▼ If this application gives a date of publication in space 3, do not sign and submit it before that date.

Mable Jackson Date ▶ 8/11/06

Handwritten signature (X) ▼ X Mable Jackson

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2006 SEP 11 AM 11:

Name ▼ Mable Jackson/Copyright Department (0471457272) W

Number/Street/Apt ▼ John Wiley & Sons, Inc., 111 River Street

City/State/ZIP ▼ Hoboken, NJ 07030-5774

9

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- Complete all necessary spaces
- Sign your application in space 8

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2. Nonrefundable filing fee in check or money order payable to *Register of Copyrights*
3. Deposit material

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Washington, D.C. 20559-6000

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*17 U.S.C. § 506(e): Any person who knowingly makes a false representation of a material fact in the application for copyright registration provided for by section 409, or in any written statement filed in connection with the application, shall be fined not more than $2,500.

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WEB REV: June 1999

*U.S. GOVERNMENT PRINTING OFFICE: 1999-454-879/48

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Register of Copyrights, United States of America

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For a Nondramatic Literary Work
UNITED STATES COPYRIGHT OFFICE

TX 5-964-667

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Month Day Year

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1 TITLE OF THIS WORK ▼

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PREVIOUS OR ALTERNATIVE TITLES ▼

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If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼

John R. Schermerhorn, Jr.

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
If the answer to either of these questions is "Yes," see detailed instructions.
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed. ▼
Revised and updated text

NOTE Under the law, the "author" of a "work made for hire" is generally the employer, not the employee (see instructions). For any part of this work that was "made for hire" check "Yes" in the space provided, give the employer (or other person for whom the work was prepared) as "Author" of that part, and leave the space for dates of birth and death blank.

b NAME OF AUTHOR ▼

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☐ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶
Domiciled in ▶

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Year Born ▼ Year Died ▼

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☐ No

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Domiciled in ▶

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Anonymous? ☐ Yes ☐ No
Pseudonymous? ☐ Yes ☐ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed. ▼

3 a YEAR IN WHICH CREATION OF THIS WORK WAS COMPLETED This information must be given in all cases.
2003 ◀ Year

b DATE AND NATION OF FIRST PUBLICATION OF THIS PARTICULAR WORK
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Month ▶ March Day ▶ 05 Year ▶ 2004
USA ◀ Nation

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Hoboken, NJ 07030

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PLAINTIFF'S EXHIBIT

00004

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PREVIOUS REGISTRATION Has registration for this work, or for an earlier version of this work, already been made to the Copyright Office? **5**

☑ Yes ☐ No If your answer is "Yes," why is another registration being sought? (Check appropriate box.) ▼

a. ☐ This is the first published edition of a work previously registered in unpublished form.

b. ☐ This is the first application submitted by this author as copyright claimant.

c. ☑ This is a changed version of the work, as shown by space 6 on this application.

If your answer is "Yes," give: Previous Registration Number ▶ N/A Year of Registration ▶ N/A

DERIVATIVE WORK OR COMPILATION **6**

Preexisting Material Identify any preexisting work or works that this work is based on or incorporates. ▼ a

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Material Added to This Work Give a brief, general statement of the material that has been added to this work and in which copyright is claimed. ▼ b

Revised and updated text

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DEPOSIT ACCOUNT If the registration fee is to be charged to a Deposit Account established in the Copyright Office, give name and number of Account. **7**

Name ▼ John Wiley & Sons, Inc. Account Number ▼ DA010049 a

CORRESPONDENCE Give name and address to which correspondence about this application should be sent. Name/Address/Apt/City/State/ZIP ▼ b

Mable Jackson/Copyright Department
John Wiley & Sons, Inc.
111 River Street,
Hoboken, NJ 07030

Area code and daytime telephone number ▶ (201) 748-6325 Fax number ▶

Email ▶

CERTIFICATION* I, the undersigned, hereby certify that I am the **8**

Check only one ▶
- ☐ author
- ☐ other copyright claimant
- ☑ owner of exclusive right(s)
- ☐ authorized agent of John Wiley & Sons, Inc.

Name of author or other copyright claimant, or owner of exclusive right(s) ▲

of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge.

Typed or printed name and date ▼ If this application gives a date of publication in space 3, do not sign and submit it before that date.

Mable Jackson Date ▶ 5/5/04

Handwritten signature (X) ▼

X Mable Jackson

Certificate will be mailed in window envelope to this address: **9**

Name ▼ Judy Spreitzer/Copyright Department (0471454761) D

Number/Street/Apt ▼ John Wiley & Sons, Inc., 111 River Street

City/State/ZIP ▼ Hoboken, NJ 07030 -5774

- Complete all necessary spaces
- Sign your application in space 8

1. Application form
2. Nonrefundable filing fee in check or money order payable to Register of Copyrights
3. Deposit material

Library of Congress
Copyright Office
101 Independence Avenue, S.E.
Washington, D.C. 20559-6000

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June 1999—200,000
WEB REV: June 1999

☆U.S. GOVERNMENT PRINTING OFFICE: 1999-454-879/49

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Marybeth Peters

Register of Copyrights, United States of America

FORM TX
For a Nondramatic Literary Work
UNITED STATES COPYRIGHT OFFICE

TX 6-405-304

EFFECTIVE DATE OF REGISTRATION

06 (Month) 19 (Day) 2006 (Year)

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1 TITLE OF THIS WORK ▼

Materials Science and Engineering An Introduction 7th Edition

PREVIOUS OR ALTERNATIVE TITLES ▼

PUBLICATION AS A CONTRIBUTION If this work was published as a contribution to a periodical serial or collection give information about the collective work in which the contribution appeared. Title of Collective Work ▼

If published in a periodical or serial give: Volume ▼ Number ▼ Issue Date ▼ On Pages ▼

2 a NAME OF AUTHOR ▼

William D Callister Jr

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work "work made for hire"?
☐ Yes
☑ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶ USA
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
If the answer to either of these questions is "Yes" see detailed instructions.
Anonymous? ☐ Yes ☑ No
Pseudonymous? ☐ Yes ☑ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼

Prefa vised and additional text

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b NAME OF AUTHOR ▼

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☐ No

AUTHOR'S NATIONALITY OR DOMICILE
Name of Country
OR { Citizen of ▶
Domiciled in ▶

WAS THIS AUTHOR'S CONTRIBUTION TO THE WORK
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Anonymous? ☐ Yes ☐ No
Pseudonymous? ☐ Yes ☐ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼

c NAME OF AUTHOR ▼

DATES OF BIRTH AND DEATH
Year Born ▼ Year Died ▼

Was this contribution to the work a "work made for hire"?
☐ Yes
☐ No

AUTHOR'S NATIONALITY OR DOMICILE
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OR { Citizen of ▶
Domiciled in ▶

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Pseudonymous? ☐ Yes ☐ No

NATURE OF AUTHORSHIP Briefly describe nature of material created by this author in which copyright is claimed ▼

3 a YEAR IN WHICH CREATION OF THIS WORK WAS COMPLETED This information must be given in all cases.
2005 ◀ Year

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PETITIONER'S BRIEF

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

The first-sale defense embodied in § 109(a) of the Copyright Act, allows the owner of a copy "lawfully made under this title" to resell the copy without the copyright owner's permission. It is undisputed that this defense means that a copyright owner has no right to control downstream sales of a copy that was made in the United States. And this Court held in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 523 U.S. 135, 138 (1998), that the same rule applies to copies that are imported into the United States. The court of appeals limited *Quality King*—and the first-sale defense—to a situation where the imported goods were made in the U.S.

The question presented is whether the copyright owner is entitled to control downstream sales just because it opts to manufacture the copies abroad.

PARTIES TO THE PROCEEDING

Petitioner Supap Kirtsaeng, doing business as Bluechristine99, was the defendant-appellant and Respondent John Wiley & Sons, Inc. was the plaintiff-appellee in the court below.

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OPINIONS AND ORDERS BELOW

The district court's order prohibiting Petitioner from raising the first-sale defense is available at 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) and reprinted at P.A. 44-77a. The opinion of the court of appeals is reported at 654 F.3d 210 (2d Cir. 2011) and reprinted at P.A. 1-43a.

JURISDICTION

The court of appeals entered its judgment on August 15, 2011, P.A. 1a; *Wiley v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), and denied rehearing en banc on October 13, 2011, P.A. 87a. The petition for writ of certiorari was filed on December 5, 2011, and granted on April 16, 2012. This Court's jurisdiction is invoked under 28 U.S.C. § 1254.

STATUTORY PROVISIONS INVOLVED

This case revolves around 17 U.S.C. §§ 106, 109, and 602, which are reproduced in full in the Appendix to this brief, and excerpted below. The following provisions that bear on the question of statutory interpretation are also reproduced in relevant part in the Appendix to this brief: §§ 101, 104, 107, 108, 110, 113, 115, 202, 601 (which was repealed in 2010), 1004, and 1006.

Section 106 provides in pertinent part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

* * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending ....

Section 109(a) provides in pertinent part:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

Section 602(a)(1)[1] provides in pertinent part:

Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

---

[1] In October 2008, Congress reorganized § 602. *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259. The importation prohibition was renumbered from § 602(a) to § 602(a)(1) but not substantively altered. All citations in this brief are to § 602(a)(1).

INTRODUCTION[2]

For four centuries, the law has protected the right of merchants and consumers to resell products that they legally buy. For over a century, the first-sale defense has applied the ancient rule to products that have copyright protection. The current version of the first-sale defense provides that if a person is "the owner of a particular copy" and that copy was "lawfully made under this title," he has complete latitude to "sell ... that copy." § 109(a).

A split panel of the court of appeals held that the first-sale doctrine applies only to goods manufactured in the United States. For goods made any-

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[2] This brief and Petitioner's Reply Brief will use the following abbreviations: Petition Appendix ("P.A."); Joint Appendix ("J.A."); Supplemental Appendix ("S.A."); Brief for Petitioner (i.e., this brief, "OB"); Brief for Respondent ("Resp."). Citations in the form "§ ___," without a U.S. Code title, refer to the Copyright Act, found in Title 17. Various materials from *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2012) (No. 08-1423), are abbreviated as follows: Brief for Petitioner ("*Costco* Pet. Br."); Reply Brief for Petitioner ("*Costco* Reply"); Brief for U.S. as *Amicus Curiae* ("*Costco* U.S. Br."); Transcript of Oral Argument ("*Costco* Tr."). The voluminous legislative history includes numerous reports, several of which are cited as follows: *Transcript of Meeting on General Revision of the U.S. Copyright Law*, 88th Cong. (Lib. of Cong., Wash. D.C., Mar. 15, 1962) ("CLR-2"); *Transcript of Meeting on Preliminary Draft for Revised U.S. Copyright Law: Discussions of §§ 43-53*, 88th Cong. (Lib. of Cong. Wash. D.C. Jan. 15, 1964) ("CLR-4"); *H. Comm. on the Judiciary, 89th Cong., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill* (Comm. Print 1965) ("CLR-6").

where else, the panel majority granted copyright owners eternal control over all further sales, rentals, or gifts, all the way down the stream of commerce. This rule means that Random House could block resales of books and close down public libraries and flea markets and Paramount Pictures and Sony Records could prohibit resales of DVDs and CDs and shut down rental businesses like Netflix—so long as these manufacturers concentrate production abroad.

The ramifications extend far beyond publishers and other content providers. This rule applies with equal force to any product with a copyrightable component—a household product with a label, apparel with a fabric design, a watch with an insignia, a camera or microwave with software on the inside or packaging on the outside, a car with an on-board computer, and so on. Any producer who sends jobs overseas will be rewarded with the manufacturer's Holy Grail—the power to lock up, extract exorbitant rents from, or discriminate in any secondary market, from multibillion dollar retailers of new products (like Costco and Target) to large dealers in used goods (like used car dealers, Goodwill, and the Salvation Army) to flea markets and garage sales and their modern-day online analogs (such as eBay).

The court of appeals held that Congress achieved this unlikely and disruptive result with three words, "under this title." According to the panel majority, "lawfully made under this title" means "made in the USA," rather than simply "made in accordance with this title." The court believed that this reading was necessary to give the most robust effect to another provision, the "importation prohibition," which pro-

vides that a person "infringe[s] ... the exclusive right to distribute copies" when he "import[s] into the United States ... copies ... of a work ... that have been acquired outside the United States." § 602(a)(1).

This appeal may seem like déjà vu all over again, but it's not. When this Court split 4-4 in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), it grappled with very different arguments.

First, the Ninth Circuit had previously recognized that the natural consequence of the statutory construction it reaffirmed in *Costco* was "untenable," "absurd and unintended," and therefore tempered its interpretation with a limitation that can be found nowhere in the statutory language. *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994); *see Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 989 (9th Cir. 2008) (acknowledging the previous holding but declining to decide whether it remained operative). The Second Circuit in this case, however, embraced absurdity in the name of greater fidelity to the statutory text.

Second, Petitioner's counterpart in *Costco* also urged an atextual interpretation of § 109(a), but we do not embrace that reading. Our position is that the provision means exactly what it says: Anyone who acquires a product that is "lawfully made"—i.e., "made in accordance with the Copyright Act"—is free to sell it without the copyright owner's permission. That means that the importation prohibition is not the Holy Grail manufacturers desire, but it still provides them with a substantial benefit. Petitioner's

reading neither strains ordinary usage nor runs afoul of the rule against treating statutory language as surplusage.

Third, no one pointed out to the Court the most glaring problem with reading the words "under this title" as a limitation to U.S. soil: Congress defined what falls "under this title" in terms that reach far beyond U.S. borders. Congress could not have meant that same phrase to mean *exactly the opposite* a few sections later.

Finally, to date, all the parties and the lower courts have treated this issue as if the only ambiguity lies in § 109(a)'s use of the words "under this title." In fact, there is a latent ambiguity in the importation prohibition as well: When § 602(a)(1) says that it is impermissible to import "without the authority of the owner of copyright," it must mean "without the authority of the owner *or other statutory authorization*." Otherwise, imported goods would have the exalted status of being immune not just to the first-sale defense but to *all* the traditional statutory privileges and defenses, such as fair use, educational use, or compulsory license. That just cannot be.

These distinctions make all the difference, especially in a case close enough to split this Court evenly.

STATEMENT OF THE CASE

When a professor assigns a textbook, students have to buy it. Textbook publishers have long ex-

ploited their captive customers. Over the past two decades, the price of college textbooks has tripled, soaring at twice the rate of inflation. *See* U.S. Government Accountability Office, GA0-05-806, *College Textbooks: Enhanced Offerings Appear to Drive* 2 (2005). Cash-strapped students clamor for alternatives to exorbitant retail prices. But the options are limited. They must acquire the books quickly, lest they fall behind on their studies. Used books are often not an option, as publishers routinely print new editions containing just enough new material to make the old editions obsolete.

This case is a textbook illustration of the mischief that the opinion below will wreak in the hands of a motivated copyright owner. It arises from Petitioner Supap Kirtsaeng's unremarkable efforts to meet the needs of fellow students for an alternative market for lawfully purchased, lower-priced textbooks.

Petitioner was just out of high school when he arrived in the United States from Thailand in 1997 to start college at Cornell University. P.A. 48a. He received a generous scholarship conditioned upon his promise to return home to teach for ten years. J.A. 76-77. Upon graduation, he entered the Ph.D. program in mathematics at the University of Southern California. P.A. 48a; J.A. 75-76. When he finished the program, he dutifully returned to Thailand to teach.

As a student, Petitioner subsidized his expenses by reselling textbooks. P.A. 6-7a. He had his family back home visit Thai bookstores, purchase cheaper

versions of English-language textbooks, and ship them to him in the United States, where he sold them on eBay. P.A. 6-7a; J.A. 80. There is no dispute that Petitioner's family lawfully purchased those books. J.A. 63, 80. Before he imported the books into the U.S., Petitioner researched the law online, where he found explanations of the first-sale defense. J.A. 85-88, 134-77. He learned that "if a party legally obtains lawfully made copies whether inside or outside of the US, that party has the right to 'sell or otherwise' dispose of the copies without needing the authorization of the copyright holder." J.A. 143.

Among the textbooks Petitioner's family purchased and shipped to him were eight works copyrighted in the United States by Respondent John Wiley & Sons, Inc. ("Wiley"). J.A. 61-62, 197; S.A. 1-17. Wiley is a New York corporation with its principal place of business in New Jersey. J.A. 7. It publishes English-language textbooks worldwide. P.A. 5a; J.A. 189-91. Though the physical quality of Wiley's books may vary from one location to another, the substance of the texts is nearly identical. P.A. 5a. Nonetheless, Wiley engages in price discrimination, charging considerably more for its textbooks in the United States than it does in foreign markets. J.A. 9.

And so it was with the books Petitioner sold. From its offices in New Jersey, Wiley authorized a wholly owned subsidiary, John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), to manufacture the books abroad. J.A. 7-8, 65-66. Wiley Asia sold them at a fraction of the U.S. price. J.A. 9. Wiley limited its

Asian subsidiary's sales to specified foreign countries and the books themselves stated they were "for sale in Asia only and [could] not to be exported." *E.g.*, J.A. 120, 129, 179, 182. At the same time, some of them claimed protection under U.S. copyright law, explaining that "[n]o part of this publication may be reproduced ... except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act without ... the prior written permission of the Publisher." J.A. 179, 182, 184.

Claiming copyright infringement, Wiley sued Petitioner in the Southern District of New York. P.A. 49a. It asserted that the importation and resale of its foreign editions infringed its United States copyrights. P.A. 49-50a. Before trial, the district court rejected Petitioner's anticipated first-sale defense as a matter of law. P.A. 44-77a. The court held that the defense is "unavailable to goods manufactured in a foreign country." P.A. 59a. In keeping with this ruling, the district court denied Petitioner's proposed jury instruction on the first-sale defense. P.A. 76a; *see* P.A. 81-82a (proposed jury instruction).

The jury then found Petitioner liable for infringing the eight works. P.A. 12a. It also found his infringement willful. *Id.* The jury awarded Wiley statutory damages of $75,000 per work, for a whopping $600,000. *Id.* That was more than 16 times Petitioner's $37,000 in revenues from the sale of Wiley's books and presumably many times his profits. J.A. 63. Because this judgment was beyond Petitioner's means, Wiley persuaded the district court to order him to turn over personal property to satisfy

the judgment, including his computer, printer, and golf clubs. J.A. 224-27.

Petitioner appealed to the Second Circuit. P.A. 12a. A divided panel "acknowledge[d] that this is a particularly difficult question of statutory construction." P.A. 28a. The majority held that "the phrase 'lawfully made under this Title' in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." P.A. 27-28a. In contrast, the dissenting judge insisted that "the first-sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured." P.A. 34a.

The court of appeals denied Petitioner's petition for rehearing en banc. P.A. 87a. This Court granted certiorari. 132 S. Ct. 1905 (2012).

SUMMARY OF THE ARGUMENT

I. The first-sale defense codified in § 109(a) means that the copyright owner loses any further right to control the distribution of a copy after the first sale. But an ambiguity arises because § 602(a)(1), the "importation prohibition," if read in isolation, seems to say that when a person acquires a copy of a work abroad, he cannot legally import it without the copyright owner's permission.

The lower courts—as well as the parties in *Costco*—have ignored one of the keys to resolving the ambiguity. The key lies in § 602(a)(1)'s statement that "[i]mportation ... is an infringement of the ex-

clusive right to distribute *under section 106*." Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the "exclusive right to distribute under section 106"—are all "[s]ubject to sections 107 through 122." § 106. So any of the privileges set out in "sections 107 through 122" must trump § 602(a)(1).

To hold otherwise would mean that the importation prohibition wipes out a variety of core copyright privileges for any foreign-made copies, including fair use (§ 107), compulsory licenses (§ 115), and the classroom exemption (§ 110). None of these could possibly be what Congress intended. But whatever is true of each of these privileges must be true of § 109(a). That is what this Court held in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 523 U.S. 135, 149 (1998).

II. It is largely because the Second Circuit and Ninth Circuit in *Costco* completely ignored this Court's reading of § 602(a)(1) in *Quality King* that they wrestled with alternative meanings of the words "lawfully made under this title" in § 109(a).

In normal parlance, a copy is "lawfully made under" a statute, if it was "made in accordance with the statute." One would not ordinarily understand the words "lawfully made under this title" to mean "manufactured on U.S. soil." There are far clearer ways to say, "made in the USA."

Moreover, any interpretation that reads "under this title" as a limitation to U.S. soil contradicts the Copyright Act's explicit embrace of foreign subject

matter. In keeping with over a century of copyright legislation, in § 104, Congress defined the Act's geographic reach "under this title," in the most expansive international terms imaginable. The words "under this title" cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words to describe an uncommonly international focus.

Petitioner's reading best accommodates identical language elsewhere in the Copyright Act. The phrase "lawfully made under this title" makes six appearances throughout the Act. The phrase "under this title" appears 91 times. They all make perfect sense when "under this title" is interpreted to mean "in accordance with this title"—and no sense at all under either alternative interpretation.

III. The arguments that have been advanced for rejecting Petitioner's reading of the statute are unavailing. First, only by ignoring both what *Quality King* actually held and its central logic could the panel majority (and the Ninth in *Costco*) conclude that this Court rejected Petitioner's definition. This Court embraced the structural reading, described above: "The introductory language in § 106 expressly states that all of the exclusive rights granted in that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a) ...." 523 U.S. at 144. *Quality King* drew no distinction based upon place of manufacturing. In reaching the opposite conclusion, the panel majority put undue emphasis on a single hypothetical in *Quality King*. But that hypothetical—and the result this Court

presumed in that scenario—is consistent with Petitioner's reading.

Second, the panel majority improperly rejected Petitioner's nondiscriminatory approach because it would give § 602(a)(1) "no force in the vast majority of cases." P.A. 25a. But Petitioner's reading cannot be rejected just because it narrows the scope of § 602(a)(1)—unless it narrows the provision *out of existence*. *Quality King* definitively rejected any argument that the nondiscriminatory definition leaves § 602(a)(1) superfluous—giving multiple reasons why § 602(a)(1) "retain[s] significant independent meaning" even with a robust reading of § 109(a). 523 U.S. at 148-49. In addition to banning piratical copies, the importation prohibition gives copyright owners a powerful *copyright* weapon (and not just a contract remedy) against distributors who distribute outside their assigned domains. Beyond that, § 602(a)(1) addressed a serious problem under which non-owners—such as a manufacturer or a shipper—who was lawfully *in possession* of copies could argue that their diversion of those goods was not a copyright violation because the previous version of the first-sale defense covered anyone who lawfully possessed the goods.

Third, as this Court recognized in *Quality King*, applying the first-sale defense evenhandedly—regardless of whether the first authorized sale occurred in the U.S. or abroad—does not trigger the presumption against extraterritorial application of U.S. law. Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resi-

dent who was in the U.S. when he committed the purportedly infringing acts. This is not an extraterritorial application of U.S. law any more than a law that prohibits a vendor from selling goods in the U.S. that were stolen abroad.

IV. Several presumptions support Petitioner's reading of the statute.

First is a pair of mutually reinforcing presumptions: (A) that Congress intends to retain the substance of the common law unless it clearly indicates a contrary intention; and (B) that, when revising and consolidating laws, Congress does not intend to change their effect unless such intention is clearly expressed. In defiance of these two presumptions, the panel majority concluded that Congress wiped away four centuries of common law and more than 65 years of statutory authority by inserting three words—"under this title"—into a single provision. The panel majority did not even acknowledge the presumption when it held that Congress executed this sea change with text that it found to be "utterly ambiguous" and "simply unclear." P.A. 23-24a.

Second, the panel majority's interpretation is so unworkable and yields consequences that are so absurd that Congress should be presumed not to have intended them. The panel majority's interpretation would result in a seismic shift in copyright law by requiring that anyone who resells or lends a foreign-made copy of a book, movie, CD, or videogame must secure a license from the copyright owner, who could, in turn, demand any price and deny the license for any or no reason. Such an approach could

wipe out used book stores and DVD markets, restrict library lending, and spell doom for the Salvation Army and Goodwill. Moreover, the panel majority itself acknowledged that its approach would give copyright owners "an incentive to 'outsource' publication to foreign locations" and "[t]he result might be that American manufacturing would contract along with the protections of the first sale doctrine." P.A. 28a n.44. The notion that Congress would take a step so antithetical to U.S. interests is absurd.

ARGUMENT

Had Petitioner's family lived in Toledo rather than Thailand, Wiley would have no claim. So long as his family bought the books legally (which they indisputably did), his family could send them to him in New York and he could legally resell them as he saw fit. Wiley would be free to gouge the wealthier New York population with higher prices, but it could not prevent the marketplace from responding as efficient markets always do. It is called arbitrage: Merchants buy goods where they are cheap and sell them where they are more expensive.

The arbitrage is legal because of the interplay between two sections of the Copyright Act. Section § 106(3) generally grants "the owner of copyright ... the exclusive right[] to ... distribute copies ... of the copyrighted work to the public." But § 109(a) cuts off that distribution right after the owner makes or authorizes the first sale:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy ...

> lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy ....

§ 109(a). This "first-sale defense" means that the copyright owner loses any further right to control the distribution of a copy after the "first sale." This is often termed "exhaustion": The copyright owner exhausts its right to control distribution of a particular copy the moment it sells the product and pockets the proceeds.

This statutory provision dates back to 1909, when Congress codified this Court's holding, in *Bobbs-Merrill Co. v. Straus*, that the copyright statute does not "add to the right of exclusive sale the authority to control all future retail sales." 210 U.S. 339, 351 (1908). But the principle is far older than that. As is discussed more fully below, *infra* at 49-50, Congress has recognized that "[t]he first sale doctrine has its roots in the English common law rule against restraints on alienation of property," H.R. Rep. No. 98-987, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2899, which dates back at least to the early 1600s.

The question in this case is whether Congress granted Wiley superior rights just because its printing press was in Thailand rather than in Toledo. If so, then Wiley and every other copyright owner would have a copyright power that is anathema to the common law and antithetical to the principles that prompted Congress to codify the first-sale de-

fense. The power would extend far beyond traditional authors to any manufacturer who stamps a logo on a product, embeds software in it, or puts it in a distinctive wrapper. The resulting power to control or condition downstream sales would incentivize copyright owners to ship manufacturing jobs overseas. The very notion seems so unlikely that one would be reluctant to impute such an intention to Congress even if the statutory language were clear.

Congress did not clearly express any such an intention. Two statutory provisions seem, at first blush, to point in opposite directions. On one side is § 109(a), the first-sale defense quoted above. It makes no reference to the location of the manufacture of the copy or of the location of the first sale. And its categorical opening—"[n]otwithstanding the provisions of section 106(3) [the distribution right]"—seems to override any aspect of the "exclusive right[] ... to distribute copies." § 106(3). Thus, in the absence of any contrary language, § 109(a) seemingly means that it does not matter whether the manufacture or first sale is in the United States or abroad; once the copyright owner sells an authorized copy, it no longer controls that copy.

On the other side is § 602(a)(1). That section refers back to the very same distribution right that is codified in § 106(3). Often called the "importation prohibition," § 602(a)(1) extends this distribution right beyond our borders. It provides that

> [i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have

> been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106.

§ 602(a)(1). In isolation, the importation prohibition might be read to mean that when a person acquires a copy of a work abroad, he cannot legally import it without the copyright owner's permission—even if he legally purchased the copy with the copyright owner's full knowledge and approval.

Obviously, both categorical readings cannot be right. The interplay between §§ 109(a) and 602(a)(1) thus reveals an ambiguity when applied to copies imported into the United States.

The lower courts have attributed the ambiguity only to the wording of § 109(a). *See, e.g.*, P.A. 24a (focusing on the "lawfully made under this title" language in § 109(a) in discussing interplay between first-sale defense and the importation provision); *Costco*, 541 F.3d at 986 (same). So, too, have all the parties and *amici* to brief the issue to this Court in *Costco*. We address that ambiguity below. *See infra* Point II. But before we do, we address a different latent ambiguity that no one in the prior litigation discussed, but that solves the puzzle of statutory construction and proves that only Petitioner's reading of the Act is tenable. *See infra* Point I. We then demonstrate that arguments against Petitioner's reading are unpersuasive, *see infra* Point III, and that several presumptions support Petitioner's construction, *see infra* Point IV.

I. THE AMBIGUITY IN THIS CASE ARISES AS MUCH FROM § 602 AS FROM § 109, BUT THAT AMBIGUITY IS READILY RESOLVED IN FAVOR OF A MORE ROBUST FIRST-SALE DEFENSE.

The lower courts and previous parties before this Court have all missed a critical point: Section 109(a) is not the only source of ambiguity that bears on the issue of statutory construction. Equally to blame is a latent ambiguity in the importation prohibition. That provision speaks in seemingly categorical terms when it says that "[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute." § 602(a)(1) (emphasis added). But there obviously have to be exceptions. There are contexts where "without authority of the owner" must mean "without authority of the owner or *other statutory authorization*."

For example, when 2 Live Crew parodied Roy Orbison's song, "Oh, Pretty Woman," they did so "without authority of the owner." *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). And Dorling Kindersley did not have "authority of the owner" to reproduce concert posters in *Grateful Dead: The Illustrated Trip*. *See Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006). Each was *statutorily* authorized, however, as a "fair use" under § 107. That statutory authorization allows 2 Live Crew's record company to sell its CDs in the U.S., and Dorling Kindersley to sell its book in the U.S., "without authority of the owner of the copyright."

What if the CDs were pressed or the books were printed in Asia? Section 602(a)(1) says that "[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute." (Emphasis added). That cannot possibly mean that foreign-made copies are not subject to fair use. Rather, the statute has to be read to allow their distribution without express authorization. *Statutory* authorization must be enough, even though the importation prohibition does not say that explicitly.

Similarly, Paul McCartney was allowed to sell his CD of quintessential American songs—such as "Be-Bop-A-Lula" and "Ain't No Sunshine"—"without authority of the owner of copyright." So long as he complied with the compulsory license provisions of § 115, he did not need that authority. But what if the CDs had been made in England? Literally, § 602(a)(1) says that "[i]mportation [of the CDs] into the United States, *without the authority* of the owner of copyright" infringes. But that cannot possibly mean that foreign CDs are not subject to the compulsory license.

The importation prohibition's literal language would make mischief for multiple other statutory authorizations. Under the panel majority's approach:

- the libraries and archives exception (§ 108) would permit libraries to reproduce or distribute a limited number of copies under certain circumstances, but not if they were made abroad;

- the classroom exemption (§ 110) would allow performance or display of "lawfully made" works in classrooms and places of worship, but not if they were made abroad; and

- the useful articles exception (§ 113) would permit advertisements displaying images of "lawfully produced" copyrighted materials attached to products, but not if they were made abroad.

None of these could possibly be what Congress intended.

One need not insert language into the Act to reach that logical result. In each circumstance, despite § 602(a)(1)'s seemingly categorical language, the Copyright Act can be read naturally to support the non-infringement conclusion that is so obviously correct. The key lies in § 602's statement that "[i]mportation ... is an infringement of the exclusive right to distribute ... *under section 106*," the provision that enumerates the bundle of rights that attach to ownership of a copyright. § 602(a)(1) (emphasis added). Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the "exclusive right to distribute under section 106"—are all "[s]ubject to sections 107 through 122." § 106. Sections 107 through 122 are all privileges—exceptions to the prohibitions against various forms of infringement, including copying, distributing, publicly displaying, etc.

Putting it all together, as the dissent below explained, the exclusive right of distribution is express-

ly made subject to the enumerated exceptions, and the importation prohibition depends upon the distribution right. P.A. 35a. Thus, the importation prohibition must also be "[s]ubject to sections 107 through 122." In other words, § 602(a)(1)'s importation prohibition expressly incorporates not only the rights of § 106, but also the express limitations of fair use, compulsory licenses, and educational use.

Of course, § 109(a) is also a privilege that falls within "sections 107 through 122." Generally, provisions that stand on equal statutory footing have the same statutory consequence. *See Ali v. Fed. Bureau of Prisons*, 552 U.S. 214, 222 (2008). Section 109(a) must be applied in the same way as the other statutory authorizations in that range. Either § 602(a)(1) overrides them all or it overrides none of them.

As is discussed in greater detail below, *infra* at 38-39, this Court held in *Quality King* that § 602(a)(1) does not override any of the copyright privileges, including § 109(a):

> The introductory language in § 106 expressly states that all of the exclusive rights granted by that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a) ....

523 U.S. at 149. As this Court explained, § 602(a) does not create any rights in and of itself, but merely flows from § 106. *Id.* So this branch of the distribution right is subject to the same exceptions as the

core distribution right from which it grows. *Id.* That means the first-sale defense of § 109 trumps the importation prohibition, in the same way as fair use (§ 107), the compulsory license (§ 115), the classroom exception (§ 110), and every other privilege codified in "sections 107 through 122."

Wiley is free to argue that the unanimous Court was wrong when it reached this conclusion in *Quality King*. But if it does, it must explain what possessed Congress to wipe away *all* the traditional copyright privileges for any product that is made abroad. The premise is about as inexplicable as the same Congress, in a moment of self-loathing, passing a resolution favoring greater dependence on OPEC oil.

II. THE PHRASE "LAWFULLY MADE UNDER THIS TITLE" IS BEST READ TO SUPPORT A NONDISCRIMINATORY APPLICATION OF THE FIRST-SALE DEFENSE.

It is largely because the Second and Ninth Circuits completely ignored this Court's reading of § 602(a)(1) that they wrestled with alternative meanings of the words "lawfully made under this title" in § 109(a).

As a matter of ordinary parlance, it seems odd to suggest that Wiley's books were not "lawfully made under this title." The copyright owner, John Wiley & Sons, Inc., is a U.S. company. Because the books were first published in the U.S., *see* S.A. 1-17, the Copyright Act, therefore, defines them as "United States work[s]." § 101 (defined to include any "work"

that is "first published ... in the United States"). From U.S. soil, the U.S. company authorized its wholly owned subsidiary to make the copies. J.A. 7, 65-66. And as if to punctuate the point, many of the books in question prominently featured the legend asserting rights under "the 1976 United States Copyright Act." J.A. 179, 182, 184.

Dollars to donuts, if one had polled Wiley executives on the question, "Are these books lawfully made under the Copyright Act?," every one of them would have agreed with Petitioner that the answer is yes. It would not have dawned on anyone to say, "No, because Wiley's printing press was in Asia."

The Second Circuit and the Ninth Circuit said no, each offering a different definition of the key phrase and each rejecting the other's definition. We describe each definition in turn. And, in the interest of completeness, we mention a fourth definition—Costco's position in the earlier case—which we do not embrace.

Petitioner: Nondiscriminatory definition. Under Petitioner's reading, a copy is "lawfully made under this title"—and the seller enjoys the benefit of the first-sale defense—if the copy was made "in accordance with the Copyright Act." In this reading, other sections of the Act impose geographic conditions on the scope of copyright (a topic we address *infra* at 29-31), but § 109, itself, does not discriminate between foreign-made and domestically produced copies. Thus, we call this the "nondiscriminatory definition."

Second Circuit: Pro-foreign definition. At the other end of the spectrum is the Second Circuit's reading in this case. Under this narrow interpretation, "lawfully made under this title" means "manufactured on U.S. soil." P.A. 27-28a (applies to copies "made in territories in which the Copyright Act is law, and not to foreign-manufactured works"). Under this purely geographic definition, a copy that was made abroad is *never* subject to the first-sale defense. The copyright owner has a right that is almost unknown in commerce—the right to control resale down the chain of commerce in perpetuity—extending not just to sales, but to rental, lending, regifting, or other disposition of a copy. But Congress granted this power only to those select copyright owners who are foreign and manufacture overseas or who are domestic and choose to ship manufacturing jobs abroad. This definition actually punishes foreign owners who choose to ship their manufacturing jobs to the U.S. One is tempted to call this the "political-suicide definition." But we will call it the "pro-foreign definition."

Ninth Circuit: Compromise definition. A third approach is the Ninth Circuit's construction. *See Denbicare U.S.A. Inc. v. Toys 'R' Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). That court has interpreted the the term "lawfully made under this title" to mean essentially "manufactured on United States soil or manufactured abroad and then sold with the copyright owner's approval at least once after arriving on U.S. soil." This proposal mitigates the extremity of the pro-foreign definition, but it sacrifices any pretense of fidelity to the statutory text. We call this the "compromise definition."

The Costco compromise. Costco offered a different compromise position. It argued that "lawfully made under this title" essentially means "made in accordance with U.S. law *unless* the copies are subject to an unrelated foreign distributor's exclusive license to operate in a particular country." *See Costco* Tr. at 7; *Costco* Pet. Br. at 37; *Costco* Reply at 20-21. No court has embraced this compromise position. Nor do we, for it, too, is unmoored from the language Congress drafted.

This case should boil down to a competition between the two constructions that the statutory language can arguably support—the nondiscriminatory definition vs. the pro-foreign definition. As we demonstrate below, Petitioner's nondiscriminatory definition is superior. It is the best reading of the text, *see infra* Point II.A., the most consistent with the Act's explicit embrace of foreign subject matter, *see infra* Point II.B., and the most consistent with other uses of the same term in the same statute, *see infra* Point II.C.

A. The Nondiscriminatory Definition Is the Best Reading of the Text of § 109.

Where, as here, a phrase "is not defined by statute," this Court "normally construe[s] it in accord with its ordinary or natural meaning." *Smith v. United States*, 508 U.S. 223, 228 (1993). The most natural reading of the phrase "lawfully made under this title" in § 109(a) is Petitioner's nondiscriminatory reading. In normal parlance, a copy is "lawfully made under" a statute, if it was made "in compliance with" or "in accordance with" the statute—in other

words, if it was made by the owner of the work itself or by someone who is authorized by the owner to make it. *See* § 106 (defining exclusive rights to include the right "to authorize"); *see* P.A. 37a.

That is exactly how this Court has interpreted the phrase "under this title" in the past. Thus, for example, this Court confronted the question whether a state administrative claim required under 42 U.S.C. § 2000e-5(k) constituted a proceeding "under this title." *New York Gaslight Club, Inc. v. Carey*, 447 U.S. 54 (1980). No one on the Court questioned the fundamental proposition that "under this title" meant "according to Title 42." *Id.* at 61.

That is also how the Government interpreted the phrase in *Quality King*: "The correct and more natural reading of the phrase 'lawfully made under this title' refers simply to any copy made with the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17." Brief for U.S. as Amicus Curiae Supporting Respondent, at 30 n.18, *Quality King*, 523 U.S. 135 (No. 96-1470) (hereinafter "*Quality King* U.S. Br.").[3]

In contrast to this natural reading, one would not ordinarily read the words "lawfully made under this title" to mean "manufactured on U.S. soil" as the pro-foreign definition posits. There are far clearer ways to say, "made in the USA." And one certainly

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[3] The Government supported the copyright owner in *Quality King*, but on a different basis, which this Court rejected. *See Quality King*, 523 U.S. at 151-52.

would not use those five words to signify "manufactured on United States soil or manufactured abroad and then sold with the copyright owner's approval at least once on United States soil," per the Ninth Circuit's compromise definition. As important as it is to save the pro-foreign definition from its inevitable consequences, the dissent below was correct that this compromise position "finds no support in the statutory text." P.A. 41a.

The dissent below, the Third Circuit, and the Government in *Quality King*, all noted another difficulty with reading a geographic limitation into the phrase, "under this title": "When ... Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so explicitly." *Quality King* U.S. Br. 30; *see* P.A. 38-39a; *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir.1988). For example, the version of the now-expired "manufacturing provision" that Congress enacted at the same time as the current version of the first-sale defense provided as follows:

> [T]he importation into or public distribution in the United States of copies of a work consisting predominantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States* or Canada.

17 U.S.C. § 601 (1976) (repealed 2010) (emphasis added). Having used the phrases "under this title" and "manufactured in the United States" in the

same sentence, Congress obviously did not intend to give them the same meaning. Rather, § 601 contemplated (as § 104 provides) that a work authored abroad could nevertheless *also* be protected "under this title."

Both the pro-foreign definition and the compromise definition are inconsistent with these other textual cues in the Act as well. For example, "Congress also demonstrated it could differentiate based on the place a copy was 'acquired,'" P.A. 39a n.54, as it did in the very importation prohibition at issue here, which applies to copies "acquired outside the United States." § 602(a)(1).

That is the norm throughout the U.S. Code. *See, e.g.*, 15 U.S.C. § 1124 (banning importation of goods that "bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States"); 19 U.S.C. § 1673c(1)(2) (providing for penalties where a trading partner "no longer prevents the suppression or undercutting of domestic prices of merchandise manufactured in the United States"); 14 U.S.C. § 97(a)(1) ("the Coast Guard may not procure buoy chain that is not manufactured in the United States").

B. Any Interpretation That Reads "Under This Title" as a Limitation to U.S. Soil Is Inconsistent With the Copyright Act's Explicit Embrace of Foreign Subject Matter.

The parties and amici before the Court in *Costco* debated the meaning of "under this title" with

scarcely a mention of what *Congress* said "this title" covers. That was a mistake. Reading "under this title" as a geographic limitation that constrains the Copyright Act to U.S. soil contradicts the explicit language of the Act extending U.S. copyright protection far beyond U.S. soil.

The Copyright Act contains a series of provisions explicitly defining the subject matter—both in substance and in territory—encompassed by the Act. 17 U.S.C. §§ 102-05. One of these defining sections is § 104, entitled "Subject matter of copyright: National origin." In that section, Congress defined the Act's geographic reach in the most expansive international terms imaginable. Section 104(a), for example, provides that all *unpublished* original works, derivative works, and compilations are "subject to protection *under this title without regard to the nationality or domicile of the author*." (Emphasis added). In other words, our Copyright Act says that unpublished works *authored anywhere in the world* fall "under this title."

Section 104(b), which covers *published* works, has a similarly expansive geographic sweep. It presents a menu of options for protection *"under this title."* Practically every element of the list refers to a "treaty party," defined as any foreign country that "is a party to an international [copyright] agreement." *Id.* § 101. For example, § 104(b) declares that the following all fall "under this title":

- all works where "on the date of first publication, one or more of the authors is a national

or domiciliary ... of a treaty party," § 104(b)(1);

- all works "first published ... in a foreign nation that ... is a treaty party," § 104(b)(2);
- any "sound recording that was first fixed in a treaty party," § 104(b)(3); and
- any "pictorial, graphic, ... sculptural" or "architectural work" that "is incorporated" or "embodied in a building ... located in ... a treaty party," § 104(b)(4).

More than 179 countries currently qualify as "treaty part[ies]." U.S. Copyright Office, 38A.110, *International Copyright Relations of the United States* (2010), *available at* http://www.copyright.gov/circs/circ38a.pdf.

Together, §§ 104(a) and 104(b) provide that virtually any work made in those countries or made by citizens or residents of those countries are "under this title." The words "under this title" cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words—at the same time it enacted § 109(a)—to describe a breathtakingly international focus. The very suggestion is especially farfetched in light of Congress's history of using similar language for over a century to communicate the same international reach.[4] There was no point in

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[4] *See, e.g.*, International Copyright Act of 1891, Pub. L. No. 849, §§ 1, 13, 26 Stat. 1106 (2d Sess.) (the Act "shall ... apply" to foreign citizens whose works are protected "under the laws of the United States"); Copyright Act of 1909, Pub. L. No. 849, § 8,

the past 120 years when Congress would have considered the words "under this title" to mean "on U.S. soil."

No one presented any of this to the Court in *Costco*. *See Costco* Pet. Br. at 30 n.13 (citing § 104(b) as an example of the Copyright Act acknowledging the relevance of foreign events, not to provide a definition for "under this title"). The Government, for its part, did not even cite § 104 *at all* in either its invitation brief or its merits brief. *See, e.g., Costco* U.S. Br. at iv-v. To posit that the phrase "under this title" is a geographic limitation without wrestling with the provision that actually *defines* the geographic subject matter "under this title" is like positing that federal courts have plenary jurisdiction without referencing Article III.

C. The Nondiscriminatory Definition Best Accommodates Identical Language Elsewhere in the Copyright Act.

As this Court has observed, "[a] provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme—because the same terminology is used elsewhere in a context that makes its meaning clear, or because only one of the permissible meanings produces a substantive effect that is compatible with the rest of the law." *United*

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35 Stat. 1075, 1077 ("the copyrights secured by this Act shall extend" to the work of a qualifying foreign author who would receive a copyright "under the conditions and for the terms specified in this Act"); Act of July 30, 1947, Pub. L. No. 80-281, § 9, 61 Stat. 652, 655 (changed to "by this title," "in this title," and "under this title").

Sav. Ass'n v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365, 371 (1988) (citations omitted). Such is the case here. The phrase "lawfully made under this title" makes six appearances throughout the Act—in §§ 109(a), 109(c), and 109(e), 110, 1001, and 1006. The phrase "under this title" appears 91 times. They all make perfect sense when "under this title" is interpreted to mean "in accordance with this title"—and no sense at all under either alternative interpretation. A few illustrations make the point.

Section 106. Let us start with the core provision of the Copyright Act, § 106, which defines the rights secured by copyright. As noted above, that section provides that "the owner of copyright *under this title* has the exclusive rights to do and to authorize any of the following." § 106. In keeping with the principle that "identical ... phrases within the same statute should normally be given the same meaning," *Powerex Corp. v. Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007), let us see what happens when each definition is substituted for the italicized.

Under Petitioner's nondiscriminatory definition, the Act would grant the enumerated "exclusive rights" to "the owner of copyright *in accordance with this title*"—i.e., these rights would be granted only to the person or entity that the Copyright Act would deem to be the owner. In contrast, the geographic connotation would yield nonsense: "[T]he owner of copyright *on United States soil* has the exclusive rights to do and to authorize any of the following." So an owner who leaves the U.S. loses all rights? The very notion defies the entire international reciprocal framework of copyright in place since 1891.

Section 109(c). Similarly, § 106(5) grants the copyright owner the exclusive right "to display the copyrighted work publicly." But § 109(c)—just two subsections away from § 109(a)—provides an important limitation: The owner of a particular physical copy "lawfully made under this title" may publicly display it without further authorization.

With the Second Circuit's pro-foreign definition, the right to display would be limited to copies "manufactured in the U.S." So the proprietor of a café in Buffalo could purchase a photograph of Niagara Falls printed in Niagara Falls, New York and display it without fear. But if the same photograph was printed in Niagara Falls, Ontario, she would be forbidden to hang the photo without permission, even though she has unquestionable legal title to the copy. Under a more natural nondiscriminatory reading of the phrase "lawfully made under" the Act, there would be no such asymmetry. Each version of the photo—regardless of where printed—would be subject to the same rights and limitations and the purchaser could display it freely no matter where it was printed.

Section 110. The very next section of the Act exempts from liability a teacher's use of a copy "in the course of face-to-face teaching activities ... in a classroom." § 110(1). But all bets are off if the teacher uses "a copy that was not lawfully made under this title" and the teacher "knew or had reason to believe [it] was not lawfully made." *Id.* Interpreting this phrase through the nondiscriminatory lens, § 110 would permit teachers to use lawful copies of books, recordings, and other media, while sensibly

prohibiting their knowing use of piratical copies, which are obviously not "lawfully made."

In contrast, the pro-foreign definition—"made on U.S. soil"—is absurd: A teacher could play for her students a U.S.-made CD of the New York Philharmonic playing Mozart, but could not play the same exact recording from a CD stamped in Asia.

Section 1006. Nonsense also results from applying the pro-foreign definition to the requirements that the Audio Home Recording Act ("AHRA"), 17 U.S.C. §§ 1001 et seq. introduced into the Copyright Act. The AHRA regulates the importation and distribution of audio recordings and requires manufacturers, importers, or distributors of such products to pay royalties to copyright owners. Section 1006 provides that royalties shall be distributed to those whose musical works have been "embodied in a digital musical recording or an analog musical recording *lawfully made under this title* that has been distributed." *Id.* § 1006(a)(1)(A) (emphasis added).

The pro-foreign definition would mean that royalty payments must be distributed only for CDs manufactured in the United States. No royalty payment under § 1006 would be due on copies manufactured abroad. But § 1004 provides for payment of royalties on "each digital audio recording medium *imported into and distributed in the United States*, or manufactured and distributed in the United States." *Id.* § 1004(b) (emphasis added). Interpreting "lawfully made under this title" as urged by the Second and Ninth Circuits would place these two provisions in direct conflict—even though they were

enacted at the same time and were intended to be read in harmony. Only the nondiscriminatory definition avoids that absurdity.

As the Government noted in *Quality King*, § 1004(b) has further significance: Like the now-expired manufacturing clause, Congress's reference to a CD "manufactured and distributed in the United States" shows that when Congress intends to make the location of manufacture significant for copyright purposes, it does so explicitly. *Quality King* U.S. Br. 30; *see supra* at 28-29 (discussing former § 601).

Section 109(e). Perhaps the most vivid example is § 109(e). Congress drafted the provision to overrule the Fourth Circuit's decision in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). In *Red Baron*, a Japanese manufacturer made electronic circuit boards used in coin-operated video games. 883 F.2d at 277. The circuit boards were made in Japan. *Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 U.S. Dist. LEXIS 15735, at *2-3 (E.D. Va. Aug. 29, 1988). Much like Petitioner, a video arcade company purchased the cheaper Japanese circuit boards in Japan, imported them into the United States, and installed them in its video arcades. *Red Baron*, 883 F.2d at 277. The Fourth Circuit rejected the first-sale defense. *Id.* at 280-81.

Less than a year later, in 1990, Congress enacted § 109(e), with the explicit purpose of overruling that holding. *See* Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, § 803, 104 Stat. 5089, 5136. The new provision directs that

"the owner of a particular copy of [a video arcade] game *lawfully made under this title*[] is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment." § 109(e) (emphasis added).

Only the nondiscriminatory definition achieves that objective. Under the pro-foreign definition the statute would mean: "the owner of a particular copy of a video arcade game *made in the U.S.* is entitled ... to publicly perform ... that game." That would mean that the very copies at issue in *Red Baron* would not be subject to § 109(e) and that Congress enacted a nullity.

III. THE ARGUMENTS AGAINST THE NONDISCRIMINATORY DEFINITION ARE UNPERSUASIVE.

Courts have advanced three main arguments for rejecting Petitioner's nondiscriminatory reading of the statute: (A) that dicta in *Quality King* point the other way; (B) that the nondiscriminatory definition saps § 602(a)(1) of all meaning; and (C) that the nondiscriminatory definition is inconsistent with the presumption against extraterritorial application of U.S. law. *See, e.g.*, P.A. 25-27a; *Costco*, 541 F.3d at 988-89. The majority below correctly rejected the last critique, but incorrectly embraced the first two. We address each.

A. *Quality King* Supports the Nondiscriminatory Definition.

Only by ignoring both what *Quality King* actually held and its central logic could the panel majority (and the Ninth in *Costco*) conclude that this Court rejected the nondiscriminatory definition. The holding, which is quoted above, *supra* at 22-23, is even more compelling when placed in its fuller context.

In *Quality King*, a manufacturer affixed copyrighted labels to its shampoo bottles. The manufacturer's British distributor sold the products to a foreign purchaser. The products then found their way back into the U.S. where Quality King sold them to U.S. retailers without the manufacturer's authority. 523 U.S. at 139. The Court framed the "question presented by this case" as essentially the same as the question presented here: "whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies." *Id.* at 138. In the Court's view, the answer depended, in turn, on "whether the right granted by § 602(a) is also limited by §§ 107 through 120." *Id.*

The Court unanimously held that the importation right is so limited. In so ruling, the Court tracked the same structural point Petitioner makes above. *See supra* at 19-23. This Court's analysis began (as Petitioner's does above) with the observation that "[i]t is significant that [§ 602(a)] does not categorically prohibit the unauthorized importation of copyrighted materials. Instead, it provides that such importation is an infringement of the exclusive right to distribute copies 'under section 106.'" 523 U.S. at

144. That is where the holding quoted above comes in—as a critical limitation on § 106 and therefore on the importation prohibition as well:

> The introductory language in § 106 expressly states that all of the exclusive rights granted in that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a) ....

Id. The Court further recognized the limits of § 602(a):

> Since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106," and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of [the hair care] products who decide to import them and resell them in the United States.

Id. at 145. The Court thus found § 602(a) "simply inapplicable" "even if the first sale occurred abroad." *Id.* at 145 n.14. In response to the Government's argument that the importation prohibition trumps § 109(a), this Court declared: "the Solicitor General's cramped reading of the text of the statutes is at odds ... with the necessarily broad reach of § 109(a)." *Id.* at 152.

The panel majority (like the Ninth Circuit in *Costco*) ignored this Court's *holding* and all the logic behind it. It did so on the basis of what it perceived to be "a key factual difference at work in *Quality King* that is of critical importance." P.A. 17a. The difference, it held, was that "[i]n *Quality King*, the copyrighted items in question had all been manufactured in the United States" and made a roundtrip back, where as the books here were all made abroad. *Id.* The majority correctly observed that Justice Ginsburg, concurring alone, noted the distinction, and concluded that "the Court's opinion ... do[es] not today resolve cases in which the alleged infringing imports were manufactured abroad." *Id.* The problem with the panel majority's distinction is that this Court's analysis did not revolve around—or even mention—the place of manufacture. The Court held that the first sale defense applies, period. The Court's bottom line was that "[t]he whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King*, 523 U.S. at 152.

The panel majority also found "instructive *dicta*" in *Quality King*. P.A. 17a. The dicta came at the tail end of a lengthy analysis rejecting the argument that "§ 602(a) is superfluous unless it covers nonpiratical ('lawfully made') copies sold by the copyright owner, because importation nearly always implies a first sale." *Quality King*, 523 U.S. at 146. The Court offered three illustrations of why § 602(a) still has teeth, despite its expansive reading of the first-sale defense. The first two are reviewed more

fully in the next section. *See infra* at 44-46. The third illustration—and specifically, one sentence fragment addressing that illustration—was what drove the panel majority's analysis.

Quality King's third illustration was a hypothetical where a copyright owner grants a British distributor the exclusive right to sell books in England and grants a U.S. distributor the right to sell them in the U.S. In the hypothetical, the British distributor sells some of its copies in the U.S. In so doing, the British distributor is obviously violating its contract with the owner, and the copyright owner can sue for breach. But far better for the copyright owner, it is also an act of copyright infringement. That gives the copyright owner more robust remedies, including injunctive relief, disgorgement of the infringer's profits, statutory damages, impoundment of the infringing articles, and costs and attorneys fees. *See* §§ 502-05. As this Court observed, the reason the owner has a copyright claim was that "[t]he first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a)." 523 U.S. at 148.

That conclusion was clearly correct. As the dissent below understood, the reason is that the hypothetical British distributor has sold directly into the U.S. before there was any first sale. P.A. 43a. There can be no first-sale defense until *after* the first sale, so § 602(a) has full effect. Confusion has arisen because this Court gave a different explanation for the correct conclusion: "presumably, only those [copies] made by the publisher of the U.S. edition would be

'lawfully made under this title' within the meaning of § 109(a)." 523 U.S. at 148. The court of appeals (like the Ninth Circuit) seized on a single word in that fragment—"only." It read the sentence to mean that "copyrighted material manufactured abroad cannot be subject to the first sale doctrine." P.A. 19a.

That single word cannot override everything else this Court said and held in the case, for several reasons. First, as the panel majority acknowledged, the facts of the hypothetical were not before the Court and not in any way dispositive of the case that was before the Court. P.A. 17a. Second, the Court hedged its analysis with the word "presumably," as if to indicate that it did not intend to commit definitively to either that third conclusion or the specific explanation for that conclusion. Third, the Court did not even suggest that the place of manufacture was the controlling fact even for that hypothetical. The copies that the U.S. distributor sold could also have been printed abroad.

In sum, this dictum provides no reason to abandon the logical construction this Court detailed in *Quality King* and should reaffirm here: Section 106(3)—and thus any effect of § 602(a)—is expressly limited by § 109(a), which means the first-sale defense applies to works "lawfully made" and sold regardless of place of manufacture.

B. As This Court Held in *Quality King*, the Nondiscriminatory Definition Accords § 602 Full Meaning.

The panel majority's second reason for opting for the pro-foreign definition starts with the premise that § 602(a)(1) "is obviously intended to allow copyright holders some flexibility to divide ... international and domestic markets for the particular copyrighted item." P.A. 24-25a. That is true. The question is *how*? Under Petitioner's nondiscriminatory approach, § 602(a)(1) achieves that result in the manner described in the third *Quality King* illustration: by giving the copyright owner a powerful *copyright* weapon against distributors who distribute outside their assigned domains. The question here is whether § 602(a)(1) *also* grants the copyright owner even greater (and almost unprecedented) power to control all downstream sales, rentals, loans, and gifts. The majority erred in assuming that Congress intended to grant the broader power.

From this improper assumption, the panel majority chose between competing readings merely because one reading would give § 602(a)(1) effect in all cases and the other would give it "no force in the vast majority of cases." P.A. 25a. Even if true, the observation is irrelevant to this exercise in statutory construction. To be sure, Petitioner's reading could be rejected if it narrows the scope of § 602(a)(1) *out of existence*—so much as to make it "superfluous, void, or insignificant." *Regions Hosp. v. Shalala*, 522 U.S. 448, 467 (1998) (Scalia, J., dissenting) (quoting *Market Co. v. Hoffman*, 101 U.S. 112, 115-16 (1879)). But as noted above, *Quality King* definitively reject-

ed any argument that the nondiscriminatory definition leaves § 602(a)(1) superfluous—giving multiple reasons why § 602(a)(1) "retain[s] significant independent meaning" even with a robust reading of § 109(a). 523 U.S. at 148-49; *see supra* at 40-41; P.A. 42a (dissent catalogs the continued effects of § 602(a)(1)).

This Court cited several functions that § 602(a)(1) still serves, beyond the one extensively discussed above, of giving copyright holders a copyright remedy against rogue distributors. *See Quality King*, 523 U.S. at 148.

First, "because the protection afforded by § 109(a) is available only to the 'owner' of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful." 523 U.S. at 146-47 (footnote omitted). For example, if the shipper of the copyrighted goods tried to divert the shipment from its intended foreign pier and instead brought the goods to the U.S., without the copyright owner's authorization, § 602(a)(1) would subject that shipper to an infringement claim. This bailee could not find sanctuary in the first-sale defense. "These were substantial copyright problems before the 1976 Act for which § 602(a) [was] the solution." Darren E. Donnelly, *Parallel Trade and International Harmonization of the Exhaustion of Rights Doctrine*, 13 Santa Clara Computer & High Tech. L.J. 445, 461 n.107 (1997). Congress solved them in § 602(a).

Second, piratical goods are not the only goods that can be described as not "lawfully made under this title." As this Court explained, there can be "copies that were 'lawfully made' not under the United States Copyright Act but instead, under the law of some other country." 523 U.S. at 147.[5] Examples abound:

- Some countries grant compulsory licenses that U.S. law does not recognize, so a copy made there solely on the basis of this statutory authority would be unlawful here. *See, e.g.*, Indian Copyright Act, 1957 §§ 31-32 (providing for compulsory licenses for certain works withheld from the public, unpublished Indian works, translations, and other specified purposes).

- Other countries extend copyright protection for a term that is shorter than the term granted under U.S. law (generally speaking, the author's life plus 70 years), so a copy made without authorization there would be lawful but would not be lawful here. *Compare* § 302

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[5] The Ninth Circuit mistakenly read this language to indicate a distinction between domestically made copies (which are "lawfully made under this title") and foreign-made copies (which are not). *Costco*, 541 F.3d at 988-89. It appears that the panel majority may have harbored the same view. *See* P.A. 26-27a. That is incorrect. Like the hypothetical discussed above, this sentence does not refer to the place of manufacture. This Court could not possibly have meant to indicate an either-or distinction. Obviously, the same act could be lawful under both U.S. law and foreign law, lawful under either, or unlawful under both.

with Canadian Copyright Act, § 6 (R.S.C., 1985, c. C-42) (generally, life of author plus 50 years).

- Yet others allow a copyright owner to assign rights orally, which U.S. law would not recognize—hence the copies would not be legitimate under U.S. law. *Compare* § 204 (execution of transfers of copyright ownership) *with* Francois Dessemontet, *International Copyright Law and Practice Switzerland* § 4[2][b] (Paul Edward Geller ed., Lexis Nexis 2011).

None of these products are piratical, but nor would they be considered "lawfully made under" U.S. law. The bottom line, as this Court explained, is that § 602(a)(1) and § 109(a) are not "coextensive." 523 U.S. at 148. Where § 109(a) does not apply, § 602 does. In each of these circumstances, § 602 has the salutary and intended effect of generally enforcing U.S. copyright norms with respect to copies made abroad that end up in the U.S. The panel majority took a provision that was intended to reinforce U.S. copyright norms and paradoxically interpreted it to mean that Congress purposely gutted a significant and age-old copyright privilege.

C. The Nondiscriminatory Approach Does Not Trigger the Presumption Against Extraterritorial Applications of U.S. Law.

This last point--about enforcing U.S. copyright norms with respect to copies made abroad—was what led the Ninth Circuit in *Costco* to conclude that

nondiscriminatory definition was impermissibly extraterritorial. *See Costco*, 541 F.3d at 988. The Second Circuit was correct in rejecting the argument, P.A. 22a, and this Court should, too.

Indeed, this Court already has rejected it—once again in its opinion in *Quality King*, where the copyright owner made the same argument. 523 U.S. at 145 n.14. This Court held that "the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does." *Id.* As this Court understood, the argument misapprehends both (1) the presumption against extraterritoriality and (2) its application to the copyright laws.

The presumption against extraterritoriality is a "longstanding principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (quoting *Foley Bros, Inc. v. Filardo*, 336 U.S. 281, 285 (1949)). Extraterritorial in this context means the challenged acts are *wholly* foreign. *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994); *Envtl. Defense Fund, Inc. v. Massey*, 986 F.2d 528, 531 (D.C. Cir. 1993). However, "[a] claim is not 'extraterritorial' simply because it involves foreign acts or parties." Jane Ginsburg, Comment, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int'l L. 587, 588 (1997). When the

conduct to be evaluated under the statute affects the United States and is being adjudicated in the United States, then by definition the presumption against extraterritoriality is irrelevant to the question of construction. *See Parfums Givenchy v. C&C Beauty* Sales, 832 F. Supp. 1378, 1386 (C.D. Cal. 1993), *aff'd sub nom. Parfums*, 38 F.3d 477.

That is the case here. Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resident who was in the U.S. when he committed the purportedly infringing acts. No one has ever disputed that U.S. law applies to the controversy. Nondiscriminatory exhaustion merely maintains that a copyright owner's rights are exhausted upon the first sale, and it does not matter where that first sale occurs. To so hold does not extend U.S. law into foreign lands, any more than a law that prohibits a vendor from selling goods in the U.S. that were stolen abroad. *See e.g.*, 18 U.S.C. §§ 2314-15; *United States v. Schultz*, 333 F.3d 393 (2d Cir. 2003).

IV. SEVERAL PRESUMPTIONS AND OTHER DEVICES OF STATUTORY CONSTRUCTION SUPPORT THE NONDISCRIMINATORY DEFINITION.

While some courts invoke a presumption that is inapplicable, the panel majority and other like-minded courts have ignored presumptions that are applicable.

A. The Presumption That Congress Did Not Intend to Override an Ancient Common Law and Statutory Principle Supports the Nondiscriminatory Definition.

We begin with a pair of mutually reinforcing presumptions that the panel majority ignored. First, "when a statute covers an issue previously governed by the common law, [this Court] interpret[s] the statute with the presumption that Congress intended to retain the substance of the common law." *Samantar v. Yousef*, 130 S. Ct. 2278, 2289 n.13 (2010) (citation omitted). Second, "[u]nder established canons of statutory construction, 'it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed.'" *Finley v. United States*, 490 U.S. 545, 554 (1989) (quoting *Anderson v. Pac. Coast Steamship Co.*, 225 U.S. 187, 199 (1912)). In defiance of these two presumptions, the panel majority concluded that Congress in 1976 wiped away four centuries of common law and more than 65 years of statutory authority by inserting three words—"under this title"—into a single provision.

The first-sale defense is about as hoary a common law doctrine as there is. It is an application of the ancient common law policy against restraints on trade dating at least as far back as the 1600s: "[I]f a man be possessed of a ... horse or of any other chattel, real or personal, and give or sell his whole interest, or property therein upon condition that the Donee or Vendee shall not alien[ate] the same, the same is void, because his whole interest and proper-

ty is out of him, so as he hath no possibility of Reverter, and it is against Trade and Traffic and bargaining and contracting between man and man ...." 1 Coke on Littleton bk. 3, ch. 5, § 360, at 223 (1628); *see also Sexton v. Wheaton*, 21 U.S. (8 Wheat.) 229, 242 (1823); H.R. Rep. No. 98-987, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2899 ("The first sale doctrine has its roots in the English common law rule against restraints on alienation of property.").

Bobbs-Merrill applied this age-old principle to a question of statutory interpretation under the Copyright Act. There, a publisher printed books with a notice prohibiting downstream owners from reselling at less than $1 per copy and tried to enforce that condition on a downstream merchant who had bought the books legally. 210 U.S. at 341-42. The publisher argued that any resale that violated its stated condition infringed its "sole right" to "vend[]" the copies within the meaning of the copyright laws. *Id.* at 349-50. This Court held that Congress did not intend to create "a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it." *Id.* at 350.

There is no dispute that Congress codified this common law principle when it passed the precursor to § 109(a) in 1909. The stated rationale for the provision was that "it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale."

H.R. Rep. No. 60-2222, at 19 (1909) (2d. Sess.). In keeping with this rationale, the first version of the provision stated that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." Copyright Act of 1909 § 41, 35 Stat. at 1084 (previously codified at 17 U.S.C. § 27). Wiley concedes that under this version, the first-sale defense applied with equal force to any copy that was sold once, regardless of whether the sale occurred in Toledo or Thailand. Br. in Opp. 23.

Congress reaffirmed its commitment to the common law rule upon every amendment to the Copyright Act, which occurred over 30 times between 1909 and 1976, and there was never an argument that the first-sale defense applied only to U.S.-made copies.

The original language remained unchanged until 1976, when Congress repackaged the same concept in slightly different terms. The relevant committee reports confirmed that Congress crafted § 109(a), like its predecessor, merely to codify the principles "established by the court decisions and ... the present [copyright] law." H.R. Rep. No. 94-1476, at 79 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693 (hereinafter "House Report"); S. Rep. No. 94-473, at 71-72 (1975). As this Court pointed out in *Quality King*, Congress confirmed that this new language "restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy ... of a work, the person to whom the copy ... is transferred is entitled to dispose of it."

House Report at 79 (quoted in *Quality King*, 523 U.S. at 152 n.27).

So why change the language from revolving around whether the persons "lawfully obtained" "possession" of the "copy," to revolving around whether the person is "the owner of a particular copy ... lawfully made under this title"? It was certainly not to introduce a new geographic limitation into the first-sale defense. Rather, Congress explained that these minor edits were needed to achieve two goals—to expand the first-sale defense in one regard and contract it in another.

On the one hand, Congress contracted language to address mischief that the original version was causing. The previous focus on the lawfulness of the "possession" caused exactly the problem described above, where an unscrupulous bailee—such as a shipper or a printer—would import without the owner's authority. They could claim to have "lawfully obtained" "possession" of copies. *See supra* at 44. Similarly, there was a serious problem "where a person has rented a print of a motion picture from the copyright owner" and proceeds to sell it. CLR-6 at 41. The previous version authorized bailees and renters—as well as consignees and other non-owners who lawfully *possessed* copies—to dispose of the copies however they wished, which was obviously not the intention. *Id.*; House Report at 79. Indeed, as Judge Friendly pointed out, "[a] literal reading of the clause would mean ... that an innocent purchaser of a copy from a conceded pirate would be free to resell it without liability for infringement." *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 851 (2d

Cir. 1963). The reference to ownership addressed all this mischief.

On the other hand, Congress expanded the first-sale defense in another respect. As the House Report emphasized, the phrase "lawfully made under this title" was crafted to clarify that the defense applies not only to copies authorized by the copyright owner, but also to copies that were "not necessarily [made] with the copyright owner's authorization," but were nevertheless authorized by virtue of other provisions of the Copyright Act, such as copies "legally made under the compulsory licensing provisions of section 115." House Report at 79.

Nowhere in the legislative history covering § 109 is there the slightest hint that any member of Congress so much as suggested that the statute should limit the first-sale defense to U.S.-manufactured goods, much less that any member thought that was what Congress achieved with the new language.

Nor, for that matter, did Congress ever indicate that § 602(a)(1) was intended to contract the time-honored first-sale defense. The House Report accompanying the final version of the 1976 Act, for example, merely noted that § 602(a) covers a situation where "copies ... were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights." House Report at 170. That explanation is perfectly consistent with Petitioner's account of what the importation prohibition accomplishes, which is to grant the copyright owner an additional weapon with which to enforce contractual limitations *against the distributor*

and to preserve a copyright claim with respect to any copies that, though lawful under foreign law, would not be lawful under U.S. law.

To be sure, over the 20-year course of reports and conferences that led to the 1976 Act, a handful of witnesses expressed hopes as to importation restrictions Congress might adopt to address various concerns. One of them was a witness for the publishing industry who urged the drafters to address the situation where "a U.S. book publisher enters into a contract with a British publisher to acquire exclusive U.S. rights for a particular book" and the publisher "finds that the English edition ... of that particular book finds its way into this country." CLR-2 at 212 (statement of Mr. Manges). But neither he nor any of the drafters so much as suggested that the solution was to create a distribution right that depended upon whether a copy was manufactured abroad. Nor did a single witness or drafter ever suggest that the provision that Congress ultimately adopted—§ 602(a)—would trump the first-sale defense for copies lawfully made abroad and subsequently sold abroad. *See generally* Costco Amicus Br. at Point II.B. Indeed, some thought it clear that the importation prohibition would not apply to the latter circumstance, because, as one witness observed, "the very first sale here is a perfectly legitimate and legal sale and that brings into play the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale." CLR-4 at 211 (statement of Mr. Karp). No one contradicted him.

Nevertheless, the panel majority concluded that Congress ever so subtly achieved a sea change in the age-old rights. The majority reached this conclusion based on an interpretation of "text" that it found to be "utterly ambiguous," P.A. 24a, and "simply unclear," P.A. 23a. "[S]imply unclear" is simply not clear enough to overcome four centuries of common law and legislation to the contrary. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984) ("we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests").

B. Other Constructions Run Afoul of the Presumption That Congress Does Not Intend to Produce Absurd Results.

Petitioner's nondiscriminatory interpretation is easy to apply and inflicts no collateral damage on copyright law or commerce. It simply means that the copyright owner has the same control over its products as any other vendor (with a kicker). On the one hand, like any vendor, the owner has complete control over how and where and for what price it distributes its copies. It can, for example, enforce its scheme of price discrimination on its own distributors. On the other hand, like any vendors of all other products, the copyright owner cannot chase purchasers down the chain of commerce to prevent further sales, loans, or gifts or to enforce conditions on them. The kicker is that, unlike any other vendor, the copyright owner has an extra weapon with which to keep its distributors in line.

In contrast, the panel majority's interpretation is so unworkable and yields consequences that (to quote the Ninth Circuit) are so "absurd and unintended," *Parfums*, 38 F.3d at 482 n.8, that Congress should be presumed not to have intended them. *See United States v. Am. Trucking Ass'ns*, 310 U.S. 534, 543 (1940).

Ramifications for first-sale defense. Under the panel majority's interpretation, Congress inserted the words "under this title" to wipe out an ancient protection for nearly a third of all shipped titles, *see* ITC, *Harmonized Tariff Schedule on the United States* § 4901 (2012) (database search discloses that just under one billion printed materials were imported in 2008, the most recent year available); Department of Commerce, *Statistical Abstract of the United States*: 2012 at 715 (Aug. 2011) (estimating just over 3 billion net shipments by publishers in 2008), and to eliminate a secondary market estimated at $40 to $60 billion, *see, e.g.*, Romana Autry & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Accounting & Mgmt. Unit Working Paper No. 09-098, at 1 (Feb. 2009). This change in copyright law would require anyone who resells or lends a foreign-made copy of a book, movie, CD, or videogame to secure a license from the copyright owner, who could, in turn, demand any price and deny the license for any or no reason. The owner could deny the license to all resellers, whether to avoid the competition from the secondary market or to enforce price discrimination. Or it could deny the license to punish specific retailers for discount pricing or unfavorable product reviews.

All this, alone, seems unfathomable. But the ramifications of never-ending downstream control extend beyond retailers and far beyond the publishing realm:

- Millions of cars are imported into the U.S., virtually all bearing copyrighted software. Any resale or rental of those cars would violate the copyright laws.

- The entire consumer electronics industry would enjoy the same advantage to the extent they manufacture abroad and include a tiny microprocessor and software—as most do.

- The manufacturer of almost any foreign-made product could achieve the same result by affixing a printed label (as in *Quality King*), placing it in a distinctive package (as in *Parfums Givenchy*, 38 F.3d at 479), or enclosing instructions.

- One or two big movie producers (such as Universal) could demolish movie rental services (like Netflix) by manufacturing DVDs in Mexico. Universal could then enjoy a permanent veto over any further rental of the foreign-made DVD, for the copyright owner's "exclusive right[] to ... distribute" includes the exclusive right to "rent[]" or "lease."

- Manufacturers could shut down internet-based secondary markets in almost any good, whether or not the good was actually manufactured abroad. All they have to do is scour

the internet—or, easier still, use software to do it—and direct a "take-down notice" to the host after each hit, *asserting* that the sale would infringe. *See* 17 U.S.C. § 512 (safe harbor provisions and notification requirements under the Digital Millennium Copyright Act).

- Publishers who print books abroad could extract rents from the libraries insisting that the copyright owner's "exclusive right[] to ... distribute" includes the exclusive right to "lend[]"—even for free.

- Publishers could eliminate competition from the Strand, Capitol Hill Books, and all other used-book stores. They could just print in Mexico and prohibit these establishments from reselling the books.

- Equally at risk are the Salvation Army, Goodwill, and other sellers of used goods, many of which have copyright protection.

- Even cherished American traditions, such as flea markets, garage sales, and swapping dog-eared books are vulnerable to copyright challenge.

If any of these scenarios seems implausible, just think for a moment about this case. A major international publisher torments a graduate student all the way to the Supreme Court for making a measly profit of a few thousand dollars, and crushes him with a $600,000 judgment and an order to turn over his computer and golf-clubs. There is little assur-

ance that other copyright owners will exercise restraint where the rents to be extracted are far richer and the pockets much deeper.

Any one of the above consequences would be anathema to the very concept of a first-sale defense. All of them together make a compelling case against a pro-foreign definition and its atextual counterpart, the compromise definition.

Moreover, any interpretation other than the nondiscriminatory definition puts an intolerable burden on retailers and rental businesses. They often do not know the provenance of the items they resell. This problem is especially stark in situations where the copyright claim is based on a label (as in *Quality King*) or an insignia (as in *Costco*). And it is downright impossible where just a component is copyrighted, as is the case, for example, for any car or electronic equipment with a software component. Even if a retailer who satisfies itself that a product is from the U.S., it has no way of verifying that no component came from abroad.

Sending U.S. jobs overseas. The majority and the dissent below agreed on one point. Rejecting the nondiscriminatory approach will give copyright owners "an incentive to 'outsource' publication to foreign locations" and "[t]he result might be that American manufacturing would contract along with the protections of the first sale doctrine." P.A. 28a n.44. The incentive will be irresistible—and not just for publishers but for the makers of any product that has a copyrightable component. *See* Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 Cardozo

L. Rev. 55, 142 n.380 (2001). While "acknowledg[ing] the force of this concern," the majority maintained that "it does not affect or alter our interpretation of the Copyright Act." P.A. 28a n.44.

While this Court has not declared a formal presumption that Members of Congress would never purposely send manufacturing jobs overseas, the point is so obvious that it should not have to be pronounced in a formal rule. The sheer implausibility of the proposition should at least *affect* the question of statutory construction.

The norm for at least the past half century is that Congress strives to pass "measures meant to encourage U.S. firms to expand employment domestically rather than abroad," not the other way around. Linda Levine, Cong. Research Serv., RL32292, *Offshoring (or Offshore Outsourcing) and Job Loss Among U.S. Workers* 2 (2011). When Congress passed the current version of § 109(a), it also included a provision that applied the same job-protection imperative to the Copyright Act. That was the indisputable purpose of the manufacturing clause quoted above. *See supra* at 28. With a provenance dating back to 1891, *see* International Copyright Act of 1891 § 3, 26 Stat. at 1107; Copyright Act of 1909 § 16, 35 Stat. at 1079, that clause required that all copies of any English-language work be printed domestically, even when created by a foreign author. As the Government observed in *Quality King*, "it is distinctly unlikely that Congress would have provided such an incentive to manufacture abroad at the same time it was shielding the domes-

tic printing industry under Section 601." U.S. *Quality King* Br. 30.

The notion that *any* Congress would purposely take a step so antithetical to U.S. interests is absurd. But it is downright inconceivable that Congress did so in the years leading up to the passage of the Copyright Act in 1976, in the wake of the oil crisis, the stock market crash of 1973-74, and a period of stagflation remarkable for rising unemployment coinciding with rising inflation. *See* Michael E. Kanell, *Oil Prices Drop, but still volatile; Political haze also big worry*, Atlanta J. Const., Aug. 26, 2004, at 1E.

Ramifications for other privileges. Finally, any approach other than the nondiscriminatory approach yields another level of absurdity that extends beyond the first-sale defense: As is explained above, if § 602(a)(1) trumps the first-sale defense, then it must trump fair use, compulsory licenses, and every other privilege in "sections 107 through 122." § 106; *see supra* at 22-23. *All* foreign-made products with copyrightable content would hold an exalted place in copyright law of the sort that *no* product in the history of copyright law has ever enjoyed. If Congress wants to achieve this result, it is free to do so. But any rational view of how Congress operates would dictate that this elected body would never do anything so extreme without being clear—certainly not in the name of enabling copyright owners to charge higher prices to U.S. residents.

CONCLUSION

For these reasons, this Court should reverse the judgment of the court of appeals.

Respectfully submitted,

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STATUTORY APPENDIX

The following provisions of the Copyright Act appear in title 17 of the United States Code:

Section 101 provides in relevant part:

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

* * * *

A "computer program" is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

"Copies" are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "copies" includes the material object, other than a phonorecord, in which the work is first fixed.

"Copyright owner", with respect to anyone of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

* * * *

To "display" a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process

or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

* * * *

"Literary works" are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

* * * *

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

* * * *

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work "publicly" means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

* * * *

A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

* * * *

A "treaty party" is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The "United States", when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories

under the jurisdiction of the United States Government.

For purposes of section 411, a work is a "United States work" only if—

(1) in the case of a published work, the work is first, published—

(A) in the United States;

(B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that is not a treaty party; or

(D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

(2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A "useful article" is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a "useful article."

Section 104(a) and (b) provide in relevant part:

§ 104. Subject matter of copyright: National origin

(a) UNPUBLISHED WORKS.—The works specified by sections 102 and 103, while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author.

(b) PUBLISHED WORKS.—The works specified by sections 102 and 103, when published, are subject to protection under this title if—

(1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a treaty party, or is a stateless person, wherever that person may be domiciled; or

(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party; or

(3) the work is a sound recording that was first fixed in a treaty party; or

(4) the work is a pictorial, graphic, or sculptural work that is incorporated in a building or other structure, or an architectural work that is embodied in a building and the building or structure is located in the United States or a treaty party; or

(5) the work is first published by the United Nations or any of its specialized agencies, or by the Organization of American States; or

(6) the work comes within the scope of a Presidential proclamation. Whenever the President find that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States or to works that are first published in the United States, copyright protection on substantially the same basis as that on which the foreign nation extends protection to works of its own nationals and domiciliaries and works first published in that nation, the President may by proclamation extend protection under this title to works of which one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation, or which was first published in that nation. The President may revise, suspend, or revoke any such proclamation or impose any conditions or limitations on protection under a proclamation.

Section 106 provides:

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Section 107 provides:

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Section 108(a) provides in relevant part:

§ 108. Limitations on exclusive rights: Reproduction by libraries and archives

(a) Except as otherwise provided in this title and notwithstanding the provisions of section 106, it is not an infringement of copyright for a library or archives, or any of its employees acting within the scope of their employment, to reproduce no more than one copy or phonorecord of a work, except as provided in subsections (b) and (c), or to distribute such copy or phonorecord, under the conditions specified by this section ....

Section 109 provides:

§ 109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of

direct or indirect commercial advantage only during the 12-month period beginning on—

(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or

(2) the date of the receipt of actual notice served under section 104A(d)(2)(B),

whichever occurs first.

(b)(1)(A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any tape, disk, or other medium embodying such program), and in the case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational

institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

(B) This subsection does not apply to—

(i) a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or

(ii) a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

(C) Nothing in this subsection affects any provision of chapter 9 of this title.

(2)(A) Nothing in this subsection shall apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(B) Not later than three years after the date of the enactment of the Computer Software Rental Amendments Act of 1990, and at such times thereafter as the Register of Copyrights considers appropriate, the Register of Copyrights, after consultation with representatives of copyright owners and librarians, shall submit to the Congress a report stating whether this paragraph has achieved its intended purpose of

maintaining the integrity of the copyright system while providing nonprofit libraries the capability to fulfill their function. Such report shall advise the Congress as to any information or recommendations that the Register of Copyrights considers necessary to carry out the purposes of this subsection.

(3) Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, "antitrust laws" has the meaning given that term in the first section of the Clayton Act and includes section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition.

(4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under section 501 of this title and is subject to the remedies set forth in sections 502, 503, 504, and 505. Such violation shall not be a criminal offense under section 506 or cause such person to be subject to the criminal penalties set forth in section 2319 of title 18.

(c) Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

(d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

(e) [terminated in 1995] Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game lawfully made under this title, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment, except that this subsection shall not apply to any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship.

Section 110 provides in relevant part:

§ 110. Limitations on exclusive rights: Exemption of certain performances and displays

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

(1) performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to

instruction, unless, in the case of a motion picture or other audiovisual work, the performance, or the display of individual images, is given by means of a copy that was not lawfully made under this title, and that the person responsible for the performance knew or had reason to believe was not lawfully made ....

Section 113(a) and (c) provide:

§ 113. Scope of exclusive rights in pictorial, graphic, and sculptural works

(a) Subject to the provisions of subsections (b) and (c) of this section, the exclusive right to reproduce a copyrighted pictorial, graphic, or sculptural work in copies under section 106 includes the right to reproduce the work in or on any kind of article, whether useful or otherwise.

* * * *

(c) In the case of a work lawfully reproduced in useful articles that have been offered for sale or other distribution to the public, copyright does not include any right to prevent the marking, distribution, or display of pictures or photographs of such articles in connection with advertisements or commentaries related to the distribution or display of such articles, or in connection with news reports.

Section 115 provides in relevant part:

§ 115. Scope of exclusive rights in nondramatic musical works: Compulsory license for making and distributing phonorecords

In the case of nondramatic musical works, the exclusive rights provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to compulsory licensing under the conditions specified by this section.

(A) AVAILABILITY AND SCOPE OF COMPULSORY LICENSE.—

(1) When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person, including those who make phonorecords or digital phonorecord deliveries, may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work. A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use, including by means of a digital phonorecord delivery. A person may not obtain a compulsory license for use of the work in the making of phonorecords duplicating a sound recording fixed by another, unless: (i) such sound recording was fixed lawfully; and (ii) the making of the phonorecords was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound re-

cording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.

(2) A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, but the arrangement shall not change the basic melody or fundamental character of the work, and shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner.

Section 202 provides:

§ 202. Ownership of copyright as distinct from ownership of material object

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

Section 601(a), which was repealed in 2010, provided:

§ 601. Manufacture, importation, and public distribution of certain copies

(a) Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada.

Section 602 provides:

§ 602. Infringing importation or exportation of copies or phonorecords

(a) INFRINGING IMPORTATION OR EXPORTATION.—

(1) IMPORTATION.—Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

(2) IMPORTATION OR EXPORTATION OF INFRINGING ITEMS.—Importation into the United States or

exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under sections 501 and 506.

(3) EXCEPTIONS.—This subsection does not apply to—

(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for

its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) IMPORT PROHIBITION.—In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.

Section 1004 provides in relevant part:

§ 1004. Royalty payments

(a) DIGITAL AUDIO RECORDING DEVICES.—

(1) AMOUNT OF PAYMENT.—The royalty payment due under section 1003 for each digital audio recording device imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 2

percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such device shall be required to pay the royalty with respect to such device.

* * * *

(b) DIGITAL AUDIO RECORDING MEDIA.—The royalty payment due under section 1003 for each digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 3 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such medium shall be required to pay the royalty with respect to such medium.

Section 1006 provides in relevant part:

§ 1006. Entitlement to royalty payment

(a) INTERESTED COPYRIGHT PARTIES.—The royalty payments deposited pursuant to section 1005 shall, in accordance with the procedures specified in section 1007, be distributed to any interested copyright party—

(1) Whose musical work or sound recording has been—

(A) embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed, and

(B) distributed in the form of digital musical recordings or analog musical recordings or disseminated to the public to which such payment pertain; and

(2) who has filed a claim under section 1007.

RESPONDENT'S BRIEF

RECORD
AND
BRIEFS

Supreme Court, U.S.
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No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit

BRIEF FOR RESPONDENT

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QUESTION PRESENTED

Section 106(3) of the Copyright Act of 1976 provides that the "owner of copyright under this title has the exclusive righ[t]" to "distribute copies . . . of the copyrighted work to the public." 17 U.S.C. § 106(3). Section 602(a)(1), in turn, provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106." *Id.* § 602(a)(1).

These statutory limitations on distribution and importation are subject to Section 109(a), which provides that "the owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a).

The question presented is whether copies made outside the United States are "lawfully made under this title" within the meaning of Section 109(a).

RULE 29.6 STATEMENT

The corporate disclosure statement included in the brief in opposition remains accurate.

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BRIEF FOR RESPONDENT

Respondent John Wiley & Sons, Inc. respectfully submits that the judgment of the court of appeals should be affirmed.

STATUTORY PROVISIONS INVOLVED

Section 106 of the Copyright Act of 1976, as amended, 17 U.S.C. § 106, provides in relevant part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> * * *
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . . .

Section 109(a) of the Copyright Act of 1976, as amended, 17 U.S.C. § 109(a), provides in relevant part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

Section 602(a)(1) of the Copyright Act of 1976, as amended, 17 U.S.C. § 602(a)(1), provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work

that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

STATEMENT

Wiley publishes academic textbooks that are protected under the copyright laws of the United States and other countries. Under the Copyright Act, Wiley has the exclusive right to distribute copies of those textbooks in the United States. Wiley also exercises its rights under the laws of other countries to publish modified versions of the textbooks for distribution exclusively in those countries or in specified geographic territories outside the United States.

Without obtaining permission from Wiley, Supap Kirtsaeng imported foreign-manufactured copies of Wiley's textbooks into the United States and sold them at a profit. When Wiley sued for copyright infringement, Kirtsaeng argued that the importation and sales were permissible under the first-sale doctrine codified in Section 109(a) of the Copyright Act, which permits the owner of a copy "lawfully made under this title" to sell that copy. 17 U.S.C. § 109(a). The Second Circuit below held that Section 109(a) is inapplicable because the statutory language "refers specifically and exclusively" to copies that are "made in territories in which the Copyright Act is law," and not to foreign-made copies. Pet. App. 27a-28a.

1. Wiley publishes textbooks for sale both domestically and internationally. Pet. App. 5a. Textbooks "intended for international markets can differ from the domestic version in design, supplemental content," and "the type and quality of materials used for printing." *Ibid.* In addition, "[t]he foreign editions" are "marked with a legend to designate that

they are to be sold only in a particular country or geographic region." *Id.* at 5a-6a. One such designation stated:

> This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

Id. at 6a; *see also, e.g.*, J.A. 120, 123, 126, 129, 133 (additional examples).

2. Wiley brought suit against Kirtsaeng in the Southern District of New York, alleging (as relevant here) that his unauthorized sale of Wiley's textbooks constituted copyright infringement. Pet. App. 7a. Wiley maintained that the "sale of the foreign editions in the United States" infringed the "U.S. copyrights held by Wiley on its American editions." *Id.* at 8a n.7.

Kirtsaeng acknowledged that he had read the legends explaining the textbooks were authorized for sale only outside the United States and could not be exported from the designated regions. *See* J.A. 81. He further admitted that he had understood at the time what the legends meant. *See id.* at 81-83.

Kirtsaeng nonetheless sought to defend himself by arguing that his sales were protected by the first-sale doctrine codified in Section 109(a). The district court, however, concluded that Section 109(a) is "un-

available to the goods manufactured in a foreign country." Pet. App. 59a. Because "[t]here is no indication that the imported books" were "manufactured pursuant to the U.S. Copyright Act," and indeed "the textbooks introduced as evidence purport, on their face, to have been published outside of the United States," the district court barred Kirtsaeng from asserting a defense under Section 109(a). *Id.* at 73a.

The jury found Kirtsaeng liable for infringing each of the works at issue. Pet. App. 12a. It further determined that Kirtsaeng's infringement had been willful. *Ibid.* Pursuant to 17 U.S.C. § 504(c), the jury awarded statutory damages of $75,000 for each of the works. Pet. App. 12a.

3. The Second Circuit affirmed. Analyzing the "structure of Title 17 as well as [this Court's] opinion in *Quality King* [*Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135 (1998)]," Pet. App. 28a, the court of appeals noted that Section 602(a)(1), which prohibits unauthorized importation of copies acquired abroad, is "obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item," *id.* at 24a-25a.

"If the first sale doctrine codified in § 109(a) only applie[d] to copyrighted copies manufactured domestically," the Second Circuit explained, then copyright holders could still "control the circumstances in which copies manufactured abroad could be legally imported into the United States." Pet. App. 25a. By contrast, "the mandate of § 602(a)(1)" would "have no force in the vast majority of cases" if the first-sale doctrine were applied to every copy manufactured abroad by the copyright owner or its licensee. *Ibid.*

"[I]n light of its necessary interplay" with Section 602(a)(1), the Second Circuit held, Section 109(a) is "best interpreted" as applying only to copies "manufactured domestically." *Id.* at 26a.

The Second Circuit emphasized that it was "comforted" in reaching this conclusion "by the fact that [its] interpretation of § 109(a) is one that [this Court] appear[s] to have had in mind when deciding *Quality King*." Pet. App. 26a. The court noted that, in *Quality King*, this Court stated that Section 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title,'" which "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U.S. at 147 (quoting 17 U.S.C. § 109(a)). "This last sentence indicates that, in the Court's view," copies "'lawfully made' under the laws of a foreign country—though perhaps not produced *in violation* of any United States laws—are not necessarily 'lawfully made' insofar as that phrase is used in § 109(a)." Pet. App. 26a-27a.

Because "all the books in question were manufactured outside of the United States," the district court "correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a)." Pet. App. 27a. Accordingly, the Second Circuit affirmed the district court's judgment. *Id.* at 33a.

District Judge Murtha, sitting by designation, dissented. He would have held that "the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured." Pet. App. 34a.

SUMMARY OF ARGUMENT

The first-sale doctrine codified in Section 109(a) of the Copyright Act applies to copies "lawfully made under this title." 17 U.S.C. § 109(a). The Second Circuit correctly held that this provision is inapplicable to copies manufactured abroad.

I. The Second Circuit's interpretation of Section 109(a) is supported by the statutory text, as well as the remaining provisions of the Copyright Act. In contrast, Kirtsaeng's interpretation—under which Section 109(a) would apply to *any* copy made or authorized by the copyright owner—finds no support in the statute and is inconsistent with Congress's decision to prohibit importation of foreign copies absent the copyright owner's approval.

A. Section 109(a) does not apply to foreign-made copies because the phrase "under this title" means "pursuant to Title 17." A copy manufactured abroad is not made pursuant to Title 17—lawfully or otherwise—because the Copyright Act does not apply extraterritorially. Rather, such a copy is "'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Quality King Distribs., Inc.* v. *L'anza Research Int'l, Inc.*, 523 U.S. 135, 147 (1998).

B. Section 109(a) cannot be interpreted as applying to foreign-made copies without depriving another provision of the Copyright Act—Section 602(a)(1)'s ban on unauthorized importation—of any meaningful effect. Section 602(a)(1) prohibits the importation of copies that "have been acquired outside the United States," unless the copyright owner authorizes the importation. 17 U.S.C. § 602(a)(1). As Kirtsaeng acknowledges, this provision allows copyright owners to segment international markets for their works,

which would be ineffective if foreign copies could be imported into the United States to compete with domestic copies. On his theory of Section 109(a), however, any foreign copy made or authorized by the copyright owner could be imported if it had been sold abroad. "[B]ecause importation nearly always implies a first sale," *Quality King*, 523 U.S. at 146, this interpretation of Section 109(a) would render Section 602(a)(1) virtually meaningless.

C. Wiley's interpretation of Section 109(a) is also consistent with the Copyright Act's other uses of "under this title." Kirtsaeng starts from the premise that Wiley interprets "lawfully made under this title" to mean "made in the USA," Br. 27, and argues that it would make little sense to replace "under this title" with "made in the USA" in other provisions of the Copyright Act. This is a straw man. It is true that, on Wiley's view, foreign-made copies are not subject to Section 109(a), but the reason for that conclusion is that they are not made *pursuant to Title 17*. The proper inquiry, therefore, is whether it makes sense to read "under this title" to mean "pursuant to Title 17" in the provisions where the former phrase appears. Without exception, it does.

D. Even if this Court were to conclude that the proper interpretation of Section 109(a) presents a difficult question as an original matter, it has been settled by Congress's acquiescence in nearly 30 years of consistent caselaw holding that the statute does not apply to foreign-made copies. Beginning in 1983, that interpretation has been adopted across the country, including by the Ninth Circuit in 1991 and in two subsequent cases. Congress has frequently responded to lower-court decisions with which it disagrees by amending the Copyright Act, and it has

amended Section 109 in several respects over the last 30 years—including by adding a second sentence to Section 109(a) in 1994. But it has never rejected the lower courts' interpretation of "lawfully made under this title."

II. The history and purpose of the Copyright Act of 1976 further confirm that Section 109(a) does not apply to foreign-made copies.

Under prior law, the importation provision applied only to piratical copies. During the debate leading to the 1976 revision of the copyright laws, commentators emphasized that the provision should be expanded to reach unauthorized importation of non-piratical copies, so that copyright owners could enforce geographic limitations on the distribution of their works.

The Register of Copyright initially declined to accept this proposal, reasoning that the contract between a copyright owner and its foreign distributor would provide a sufficient remedy if the distributor began to import copies into the United States. The commentators emphasized, however, that any contractual remedy would be inadequate because there would not be privity between the copyright owner and an importer that had purchased the foreign copies from the distributor. Following these comments, the Register endorsed an expanded version of the importation provision that was ultimately adopted as Section 602(a) (now Section 602(a)(1)).

Kirtsaeng's reading of Section 109(a) would turn this history on its head. By permitting the importation of any foreign-made copies after an initial sale, Kirtsaeng would treat Section 602(a)(1) as primarily a limitation on "rogue distributors." Br. 44. But the view that Congress sought only to supplement copy-

right owners' contractual remedies ignores that it was precisely the *inadequacy* of those remedies as applied to purchasers of foreign copies that justified expanding the importation provision.

III. Kirtsaeng devotes much of his brief to speculation about consequences that, he maintains, could follow from Wiley's interpretation of Section 109(a). But Congress's decision to limit the first-sale doctrine to copies made pursuant to the Copyright Act is supported by sound public policy, and not remotely undermined by Kirtsaeng's hypotheticals.

A. The first-sale doctrine recognizes that the distribution of a particular copy exhausts the copyright owner's exclusive distribution right with respect to that copy. In this manner, the doctrine ensures that the copyright owner has the opportunity to be compensated—but only once—for its exclusive right. But a copyright owner may have exclusive rights under the laws of several different countries, and there is no reason to conclude that the sale of a foreign copy necessarily represents any compensation for whatever rights the copyright owner might have in the United States. Yet Kirtsaeng would deem the copyright owner's U.S. rights extinguished by the sale.

Kirtsaeng's approach is not new: His theory of "international exhaustion" has sometimes been advanced in international discussions about the appropriate scope of copyright law. But it has been rejected by most countries, which have recognized that it makes little sense to treat the sale of copies from one country as exhausting a copyright owner's rights in another country.

B. There are, moreover, good reasons to permit copyright owners to price their works to reflect market conditions in different countries. With respect to

textbooks in particular, there are many reasons why the cost might differ among countries, including variations in teaching methods and income levels. Kirtsaeng, however, would force publishers either to set uniform prices for their books in every country, or else accept the risk that imported books from lower-priced countries could compete with, and undermine sales of, higher-priced domestic copies.

C. Against this sound rationale for Congress's decision to permit market segmentation by copyright owners, Kirtsaeng pits a number of hypotheticals that, he claims, would result if the Court were to accept Wiley's interpretation of the statute. He insists that copyright owners would have the incentive to move manufacturing facilities abroad, for example, in order to control secondary markets in their works.

Kirtsaeng ignores that Wiley's interpretation has been the consistent view of the lower courts for over 30 years, and yet *none* of the supposedly dire consequences that he predicts has ever occurred. There is a good reason for this: If a manufacturer attempted to manipulate the secondary markets as Kirtsaeng describes, Congress would surely consider whether to amend Section 109(a) to cover foreign-made copies that have been subject to an authorized sale in the United States. This Court need not decide the issue, however, because it is undisputed in *this* case that Wiley did not authorize any sales in the United States.

ARGUMENT

In 1976, Congress revised the copyright laws, which had previously prohibited the importation of piratical copies, to ban importation even of lawful copies absent the copyright owner's authorization. As both the lower courts and Kirtsaeng acknowledge,

the purpose of this change in law was to permit copyright owners to segment international markets for their works, which would be impractical if (as under prior law) they could not prevent foreign copies from being imported and competing with domestic ones. The relevant provision of the Copyright Act thus prohibits the unauthorized importation of copies that "have been acquired outside the United States." 17 U.S.C. § 602(a)(1).

Kirtsaeng admittedly imported copyrighted textbooks acquired in Thailand, and did so without Wiley's authorization. But he claims that his importation is protected by the first-sale doctrine codified in 17 U.S.C. § 109, which permits "the owner of a particular copy . . . lawfully made under this title" to "sell or otherwise dispose of the possession of that copy" without the copyright owner's consent.

For almost 30 years, however, courts and commentators have recognized that copies manufactured abroad are not "lawfully made under this title," at least where (as here) the copyright owner has limited their distribution to foreign markets. That is so because foreign-manufactured copies are made under the law of a foreign country rather than under Title 17; the Copyright Act, which does not apply extraterritorially, has nothing to do with the making—lawful or otherwise—of copies abroad.

Kirtsaeng would permit the purchaser of *any* copy manufactured abroad to import that copy into the United States, and sell it in competition with domestic copies, so long as the copy had been made by the U.S. copyright owner or its licensee. But he has no *textual* support for this conclusion. He claims that the relevant statutory language asks whether the copy at issue was made "in accordance with" the

Copyright Act, but he never explains how such copies could "accor[d]" with an inapplicable statute—or, if they could, why *every* foreign copy would not be made "in accordance with" the Copyright Act, which does not prohibit the making of a foreign copy *by anyone*.

Just as problematically, Kirtsaeng admits that his approach would permit international "arbitrage," under which anyone could "buy goods" in foreign countries ("where they are cheap") and "sell them" in the United States ("where they are more expensive"). Br. 15. He even characterizes his own conduct as "unremarkable," designed simply to "meet the needs of fellow students for an alternative market for lawfully purchased, lower-priced textbooks." *Id.* at 7. But it is precisely such an "alternative market" that Congress proscribed in 1976. If any purchaser of foreign copies were (as Kirtsaeng maintains) permitted to import those copies in bulk to compete with the copyright owner's domestic copies, then there would have been little point in Congress's enactment of Section 602(a)(1).

Unable to muster any convincing arguments based on the text, structure, or history of the Copyright Act, Kirtsaeng must instead resort to rhetoric, breathlessly claiming that Wiley's reading of Section 109(a) would create the "Holy Grail" for copyright owners, giving them "eternal control" over further sales of goods manufactured abroad and amounting (he inveighs) to nothing short of "'political-suicide.'" Br. 4, 25.

Kirtsaeng's strategy appears designed to deflect attention away from his own conduct—the unauthorized importation of copies made abroad for distribution only in foreign countries—and instead onto a hypothetical scenario where the copyright owner

makes the copy abroad but authorizes its sale in the United States. The experience of the last 30 years would seem to foreclose Kirtsaeng's argument: Even though it has long been settled that Section 109(a) generally does not apply to foreign copies, Kirtsaeng has not identified a *single* manufacturer that has ever attempted to move its facilities abroad to avoid the first-sale doctrine. Beyond that threshold defect, the supposed policy issues identified by Kirtsaeng are committed to *Congress*, which simply rejected the "nondiscriminatory" approach (Br. 24) to foreign and domestic copies that Kirtsaeng now seeks to write into the statute.

Kirtsaeng compounds his reliance on misguided policy arguments by resorting to *ad hominem* attacks dubious even for a jury trial. Imagining himself as Gallup, Kirtsaeng baselessly speculates that Wiley's executives would "[d]ollars to donuts" have rejected its interpretation of Section 109(a) if they had been "polled." Br. 24. They nonetheless advanced this interpretation, he claims, to "tormen[t]" and "crus[h]" a graduate student who supposedly made only "a measly profit" at Wiley's expense. *Id.* at 58. Kirtsaeng grossly understates his own profit, and Wiley's loss, but in any event the critical question here is whether the Copyright Act permits entrepreneurs like Kirtsaeng to undermine Congress's decision to allow copyright owners to segment international markets by importing large quantities of foreign-made copies for sale in the United States. Despite Kirtsaeng's attempt to change the subject, the answer under the Copyright Act—no—is clear.

I. THE TEXT AND STRUCTURE OF THE COPYRIGHT ACT DEMONSTRATE THAT SECTION 109(A) DOES NOT APPLY TO FOREIGN-MANUFACTURED COPIES.

Kirtsaeng begins from the premise that there is a "latent ambiguity" in Section 602(a)(1)'s prohibition on unauthorized importation that "[t]he lower courts and previous parties before this Court have all missed." Br. 19. Section 602(a)(1) cannot be read as prohibiting *all* importations "without the authority of the owner of copyright," 17 U.S.C. § 602(a)(1), he insists, because "there obviously have to be exceptions," Br. 19, including the first-sale doctrine in Section 109(a). According to Kirtsaeng, the "key" to resolving this ambiguity—recognizing that Section 602(a)(1) is subject to Section 109(a) and other statutory limitations—was "ignored" by the lower courts, *id.* at 23, but "make[s] all the difference" in this case, *id.* at 6.

The "key" identified by Kirtsaeng is hardly novel. It was, indeed, the holding of this Court in *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, which concluded that the "literal text" of Section 602(a)(1) is "simply inapplicable" where the first-sale doctrine applies. 523 U.S. 135, 145 (1998). That is so, the Court explained, because Section 602(a)(1) provides that "unauthorized importation is an infringement of an exclusive [distribution] right 'under section 106,'" which is itself "limited by the provisions of §§ 107 through 120." *Id.* at 144-45 (quoting 17 U.S.C. § 602(a)(1)). Far from recognizing a "latent ambiguity," Br. 19, the Court unanimously emphasized the "clarity of the text" on this point, 523 U.S. at 145.

This much is settled law, and it was decidedly not "ignored" (Br. 23) by the lower courts. The Second Circuit recognized that *Quality King* had "held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a)." Pet. App. 17a. But the applicability of Section 109(a) to *some* imported goods does not end the inquiry because *other* categories of imported goods are beyond the scope of Section 109(a). *See Quality King*, 523 U.S. at 146-49. Thus, as the Second Circuit noted, it was required to "consider the extent to which the protections set forth in § 109(a) may apply to items manufactured abroad." Pet. App. 19a. The text of Section 109(a), as well as the remainder of the Copyright Act, confirms that they do not.

A. Foreign-Manufactured Copies Are Not "Lawfully Made Under This Title."

Section 109(a) provides that "the owner of a particular copy . . . *lawfully made under this title*" is "entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a) (emphasis added). The phrase "lawfully made under this title" is most naturally understood as referring only to copies made in conformance with the Copyright Act *where the Copyright Act is applicable*. It makes little sense, in contrast, to say that conduct occurred "under this title" where Title 17 does not apply at all.

1. The word "under," when followed by a statute, refers to activity that is *actually governed* by the statute: "'under' means 'subject [or pursuant] to' or 'by reason of the authority of.'" *Ardestani* v. *INS*, 502 U.S. 129, 135 (1991) (internal quotation marks omitted; alteration in original). The phrase "under this

title" therefore means "pursuant to this title." And the inquiry required by Section 109(a), in turn, is whether the particular copy at issue was "lawfully made" pursuant to Title 17 (*i.e.*, the Copyright Act).

The Copyright Act does not apply outside the United States, and thus the foreign production of a copy for distribution exclusively abroad does not implicate any of the exclusive rights granted by the Copyright Act. *See, e.g.*, *United Dictionary Co.* v. *G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908); *see also, e.g.*, 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 17.02 (2012) ("[C]opyright laws do not have any extraterritorial operation."). There is, accordingly, no basis for "ascrib[ing] legality under the Copyright Act to conduct that occurs entirely outside the United States." *Omega S.A.* v. *Costco Wholesale Corp.*, 541 F.3d 982, 988 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010) (per curiam).

Instead, the legality of a copy produced in a foreign country is governed by that country's own copyright laws; a foreign copy is either lawfully or unlawfully made *under the law of the particular foreign country*. *See, e.g.*, *Am. Banana Co.* v. *United Fruit Co.*, 213 U.S. 347, 356 (1909) ("[T]he character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."), *overruled on other grounds*, *Cont'l Ore Co.* v. *Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962).

Kirtsaeng claims that, on Wiley's interpretation of the statute, "'lawfully made under this title' means 'manufactured on U.S. soil.'" Br. 25. Indeed, the bulk of his arguments based on the text of the Copyright Act begin with this assumption, as he "see[s] what happens" when the latter phrase is "substitut-

ed" for the former. *Id.* at 33. But Kirtsaeng's premise is incorrect. While the *consequence* of Wiley's interpretation is that the first-sale doctrine does not apply to foreign-manufactured copies, the *reasoning* is that such copies are not made "under this title" because they are not "made in territories in which the Copyright Act is law," Pet. App. 27a-28a—*i.e.*, the copies are not made *pursuant to Title 17*. It is the fact that the Copyright Act does not apply extraterritorially, and not geography for its own sake, that means foreign-manufactured copies are not "lawfully made under this title."[1]

2. This straightforward reading of Section 109(a) is confirmed by the Court's decision in *Quality King*. In that case, this Court rejected the argument that, "because importation nearly always implies a first sale," Section 602(a)(1) would be rendered "superfluous" unless it reaches "nonpiratical ('lawfully made') copies sold by the copyright owner" without regard to the first-sale defense. 523 U.S. at 146. Among other things, the Court explained, Section 602(a)(1) "ap-

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[1] That "lawfully made under this title" and "manufactured on U.S. soil" are not interchangeable also forecloses Kirtsaeng's argument (Br. 28-29) that Congress's use of the phrase "manufactured in the United States" in the Copyright Act's now-expired manufacturing provision, *see* Pub. L. No. 94-553, 90 Stat. 2541, 2588 (1976), is inconsistent with Wiley's interpretation. By combining "lawfully made" and "under this title," Section 109(a) makes clear that lawfulness must be evaluated under Title 17. But a copy may be "lawfully made" *pursuant to the Copyright Act* even if the copy was not lawfully "manufactured in the United States," because its making ran afoul of *other* provisions of U.S. law (*e.g.*, minimum-wage provisions). If the copy is made where the Copyright Act does not even apply, however, then it can neither lawfully nor unlawfully be "made under this title."

plies to a category of copies that are neither piratical nor 'lawfully made under this title.'" *Id.* at 147. "That category," the Court noted, "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Ibid.*

This Court's opinion recognized that copies may be made either "under the United States Copyright Act," or "under the law of some other country," but not "under" both. 523 U.S. at 147; *see also id.* at 148 (noting that Section 602(a)(1) "encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country"). Kirtsaeng, in contrast, must argue that the textbooks at issue here were simultaneously "lawfully made under" *both* the Copyright Act *and* foreign law.

The Court illustrated its conclusion in *Quality King* by invoking "one example" involving market allocation agreements drawn from the "deliberations that led to the enactment of the 1976 Act." 523 U.S. at 147. The Court explained that, "[e]ven in the absence of a market allocation agreement" between "a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies." *Id.* at 148. In contrast:

> If the author of the work gave the exclusive United States distribution rights . . . to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition . . . , presumably only those made by the publisher of the United States edition would be "lawfully

> made under this title" within the meaning of § 109(a).

Ibid. (footnote omitted). This passage means that the copyright owner may grant distribution rights limited to foreign markets, and that the foreign-made copies produced for those markets are not "lawfully made under" the Copyright Act. *See, e.g.*, Am. Bar Ass'n, Recommendation No. 109, at 8-9 (Feb. 2010) ("ABA Recommendation") ("[I]t is apparent from the Supreme Court's decision in *Quality King* that a copyright owner may, pursuant to [Section] 602(a), prevent the importation of certain copyrighted works lawfully made under the law of another country.").

Kirtsaeng attempts to dismiss *Quality King* on the theory that, while this Court's "conclusion was clearly correct," it selected the wrong "explanation for [this] correct conclusion." Br. 41. According to Kirtsaeng, this Court should instead have reasoned that, because "the hypothetical British distributor has sold directly into the U.S. before there was any first sale," "[t]here can be no first-sale defense." *Ibid.* But Kirtsaeng cannot substitute his preferred reasoning for what this Court *unanimously* explained: that foreign-manufactured copies are not "lawfully made under this title." 17 U.S.C. § 109(a).

Kirtsaeng also tries to distinguish *Quality King* by arguing that "this Court's analysis did not revolve around—or even mention—the place of manufacture." Br. 40. There is every reason to believe the Court's distinction between domestic and foreign distribution rights rested on the assumption that the "publisher of the British edition" would have manufactured the copy abroad—particularly since the Court's example was discussing possible liability for

importation. *Quality King*, 523 U.S. at 148. In any event, Kirtsaeng ignores that *Quality King*'s hypothetical was an illustration of the Court's *broader* point that Section 602(a) "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country," *id.* at 147, which is precisely the distinction advocated here: foreign-manufactured copies are "lawfully made" under foreign law rather than under the Copyright Act.

3. Kirtsaeng, for his part, argues that "a copy is 'lawfully made under' a statute, if it was made 'in compliance with' or 'in accordance with' the statute." Br. 26. Kirtsaeng then leaps from this definition to the assertion that a copy manufactured *anywhere in the world* "by the owner of the work itself or by someone who is authorized by the owner to make it" (*id.* at 27) is "lawfully made under [Title 17]," 17 U.S.C. § 109(a).

Kirtsaeng's approach would lead to the bizarre result that a foreign-made copy could be unlawful under the applicable foreign law, yet still "lawfully made under" inapplicable U.S. law. Yet even more significantly, Kirtsaeng never explains how a foreign copy could be made in "compliance" or "accordance" with a statute that does not apply; there would be nothing to "compl[y]" or "accor[d]" with.

Kirtsaeng claims that his definition comports with *New York Gaslight Club, Inc.* v. *Carey*, which held that state proceedings required by Title VII of the Civil Rights Act of 1964 were "'action[s] or proceeding[s] under this title'" for purposes of the statute's fee-shifting provision. 447 U.S. 54, 60-61 (1980) (quoting 42 U.S.C. § 2000e-5(k)). But no one suggested that the fee-shifting provision would have ap-

plied to proceedings *in Thailand* that might, had they been in the United States, have been conducted "according to Title 42." *Id.* at 61.

Indeed, Kirtsaeng's proposed definition, if taken at face value, proves far too much. Because "all the rights conferred under the Copyright Act relate to exploitation *within this country*," 2 *Nimmer on Copyright*, *supra*, § 8.11[B][1] (emphasis added), *any* copy manufactured abroad—including piratical copies—is "made 'in compliance with' or 'in accordance with'" (Br. 26) the Copyright Act, in the sense that its making does not violate the statute.

As the Second Circuit recognized, therefore, Kirtsaeng's position must instead be that the inquiry is whether the copy was "'lawfully made under this title *had this title been applicable*.'" Pet. App. 24a (emphasis added). Kirtsaeng, however, studiously avoids this formulation, undoubtedly because the text of Section 109(a) does not envision such a counterfactual inquiry.

In this respect, Section 109(a) stands in stark contrast to Section 602's prohibition on importing piratical copies, which expressly turns on whether "the making of the copies . . . would have constituted an infringement of copyright *if this title had been applicable*." 17 U.S.C. § 602(b) (emphasis added); *see also id.* § 602(a)(2) (asking whether the making "would have constituted an infringement of copyright *if this title had been applicable*" (emphasis added)). Congress's use of this language in Section 602 precludes Kirtsaeng's attempt to read the same inquiry into

Section 109(a). *See, e.g.*, *Russello* v. *United States*, 464 U.S. 16, 23 (1983).[2]

B. Section 109 Cannot Be Interpreted As Applying To Foreign-Made Copies Without Depriving Section 602(a)(1) Of Any Meaningful Effect.

Section 602(a)(1) sweeps broadly to bar any "[i]mportation into the United States" of "copies . . . of a work that have been acquired outside the United States" unless the importer obtains "authority of the owner of copyright." 17 U.S.C. § 602(a)(1). Under this provision, a copyright holder "ha[s] the right to prevent [foreign-made] products from entering the United States and competing with the identical products authorized to be distributed here." *Swatch S.A.* v. *New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla. 2006). Indeed, even Kirtsaeng is forced to concede that Section 602(a)(1) "'is obviously intended to allow copyright holders some flexibility to divide . . . international and domestic markets for the particular copyrighted item.'" Br. 43 (quoting Pet. App. 24a-25a).

For Section 602(a)(1) to have any real meaning, the first-sale doctrine in Section 109(a) cannot be

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[2] The fact that Congress "explicitly employed" Kirtsaeng's preferred interpretation of the statute "elsewhere in Title 17" (Pet. App. 24a n.38) further undermines his argument that, when "Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so explicitly.'" Br. 28 (quoting U.S. Br. 30, *Quality King*). Even if Wiley's interpretation equated "made under this title" with "made in the USA," which it does not, the *most* that Kirtsaeng could assert is that each of the "possible" interpretations of Section 109(a) had been employed by Congress in other statutory provisions. Pet. App. 24a n.38.

read so broadly that it would encompass the "vast majority" of lawful copies. Pet. App. 25a. Otherwise, because "importation nearly always implies a first sale," *Quality King*, 523 U.S. at 146, the copyright holder's ability to limit importation into the United States would effectively be eliminated.

Kirtsaeng therefore strives to identify *some* category of cases that would remain actionable under Section 602(a)(1) notwithstanding his interpretation of Section 109. *See* Br. 43-46. This is not simply a matter of avoiding "superflu[idity]," Br. 13, although Kirtsaeng's view would indeed deprive Section 602(a)(1) of any real meaning. It is also significant because, even if Kirtsaeng were correct that Section 109(a) could be viewed as ambiguous in isolation, "[t]he meaning . . . of certain words or phrases may only become evident when placed in context." *FDA* v. *Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 132 (2000). "It is a 'fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.'" *Id.* at 133 (quoting *Davis* v. *Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989)). Section 109(a)'s "place in the overall statutory scheme" makes clear that it cannot be interpreted as Kirtsaeng suggests.

1. Kirtsaeng first claims that Section 602(a)(1) retains independent meaning because it "give[s] the copyright owner a powerful *copyright* weapon against distributors who distribute outside their assigned domains." Br. 43. But Kirtsaeng ignores that the foreign distributor could avoid liability, under his approach, simply by reversing the order of shipment and sale. By selling the copies abroad—whether to an individual purchaser or even to a separately in-

corporated distributor—the foreign distributor could avoid application of Section 602(a)(1) to its activities, and the purchaser would then be able to invoke Section 109(a) as a basis for its subsequent importation. There is no reason to believe that Congress intended its import limitation to be so easily circumvented.[3]

2. Kirtsaeng also claims that Section 602(a)(1) would apply to copies "lawfully made" under "'the law of some other country,'" but that would not be lawful if they had been made under U.S. law. Br. 45 (quoting *Quality King*, 523 U.S. at 147). But Section 602(a)(2) and (b) *separately* prohibit the importation of copies where "the making of [the copies] would have constituted an infringement of copyright if [Title 17] had been applicable." 17 U.S.C. § 602(a)(2); *see also id.* § 602(b) (same).

Although Kirtsaeng asserts that "[n]one of th[e] products" he describes is "piratical," Br. 46, that is not the relevant test. Instead, the inquiry under Section 602(a)(2) and (b) is whether "the making of the copies . . . would have constituted an infringement of copyright if this title had been applicable." 17 U.S.C. § 602(b). And a copy that is produced under a compulsory license that is not recognized in the United States ("would be unlawful here," Br. 45), or where the copyright term had expired in the foreign country but not here ("would not be lawful here," *ibid.*), or under an oral assignment that is invalid in the United States ("would not be legitimate under

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[3] To the contrary, as discussed below, Section 602(a)(1) was necessary precisely *because* the U.S. copyright holder would not have any contractual remedy against the importer under these circumstances. *See infra* Part II.

U.S. law," *id.* at 46) would constitute copyright infringement if Title 17 were applicable.

Indeed, the House Judiciary Committee noted in 1976 that a "typical example" of an actionable copy under this provision "would be a work by an American author which is in the public domain in a foreign country because that country does not have copyright relations with the United States." H.R. Rep. No. 94-1476, at 170 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5786. In such a case, "the making and publication of an authorized edition would be lawful in that country, but the Customs Service could prevent the importation of any copies of that edition." *Ibid.* Kirtsaeng's examples are indistinguishable.

3. Finally, Kirtsaeng claims that "'the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.'" Br. 44 (quoting *Quality King*, 523 U.S. at 146-47). That is true, but it is hardly sufficient—standing alone, as it does—to "give meaningful effect" to Section 602(a)(1). *New Process Steel, L.P.* v. *NLRB*, 130 S. Ct. 2635, 2640 (2010).

One might reasonably "wonde[r] whether such potential causes of action are more than theoretical." 2 *Nimmer on Copyright*, *supra*, § 8.12[B][6][c] n.432. But it hardly seems plausible, in any event, that Congress intended to give such a limited scope to Section 602(a)(1). If Congress had wanted the statute to apply narrowly to "bailees and similar possessors of copyrighted goods," there would have been no reason for it to have used such "broad language." Pet. App. 63a n.21; *see also*, *e.g.*, ABA Recommendation at 9 ("it would be troubling if th[e] category of works [subject to Section 602(a)(1)] were limited to

those held by bailees and similar possessors, in light of the statute's broad language").

Congress chose to sweep into Section 602(a)(1) *all* copies "acquired outside the United States," and by any importer who lacked the "authority of the owner of copyright under this title." 17 U.S.C. § 602(a)(1); *see also* H.R. Rep. No. 94-1476, at 170 (statute covers "any unauthorized importer"). Section 109 cannot be read as limiting Section 602(a)(1) to such a narrow category of cases that the provision no longer bears any resemblance to the broad language enacted by Congress.

C. Interpreting Section 109(a) As Inapplicable To Foreign-Made Copies Is Consistent With The Remainder Of The Copyright Act.

Invoking a host of provisions in the Copyright Act, Kirtsaeng insists that Wiley's interpretation of "under this title" is inconsistent with other uses of that phrase in the statute. None of the examples he cites can support this argument. Instead, "under this title" consistently means "pursuant to this title," as in Section 109(a) itself.

Section 104. As Kirtsaeng correctly notes, the types of works that are "subject to protection *under this title*" (17 U.S.C. § 104(a)-(b) (emphasis added)) have an "expansive geographic sweep" and could be "authored anywhere in the world." Br. 30 (emphasis omitted). But he goes astray in claiming that this use of "under this title" is inconsistent with Wiley's position.

In Section 104, the phrase "under this title" simply means "pursuant to this title." That is, the works covered by Section 104 are subject to protec-

tion pursuant to the Copyright Act, and thus even works authored in foreign counties can benefit from copyright protection in the United States "without regard to the nationality or domicile of the author," in the case of unpublished works, 17 U.S.C. § 104(a), or, for published works, where (*inter alia*) "one or more of the authors" is a "national . . . of a treaty party" or "the work is first published . . . in a foreign nation that, on the date of first publication, is a treaty party," § 104(b)(1)-(2).

Kirtsaeng claims that "[t]he words 'under this title' cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words" in Section 104 "to describe a breathtakingly international focus." Br. 31. But he ignores that the "international focus" in Section 104 identifies only what works are "*subject* to protection" under the Copyright Act. 17 U.S.C. § 104(a)-(b) (emphasis added). Indeed, he simply elides the point, omitting the phrase "subject to protection" in claiming that "virtually any work made in [treaty-party] countries or made by citizens or residents of those counties are 'under this title.'" Br. 31.

But the fact that a foreign author can obtain copyright protection under Title 17—that is, his works are "subject to protection under this title"—does not mean that his rights in the foreign country are governed by U.S. law, or that any copies he publishes there are *made* "under this title." Instead, because the Copyright Act does not apply extraterritorially, the *scope* of the "protection under this title" remains limited to the United States—just as the category of copies that can be "made under this title" is similarly restricted. *See supra* at 15-17.

Kirtsaeng's argument also appears to conflate the distinction between "works" and "copies" (*i.e.*,

"material objects . . . in which a work is fixed"). 17 U.S.C. § 101. That Section 104 applies the "full range of U.S. copyright protections" to "*all* eligible works" does not mean that "it makes no distinction based on where a work *or a copy of it* was manufactured," Museum Br. 17 (second emphasis added); "U.S. copyright protections" are inapplicable in foreign countries, even to copies of works that are "subject to protection" under the Copyright Act. For this reason, it is perfectly sensible to conclude that "foreign-manufactured goods are not considered to have been made 'under this title'" and also that "U.S. courts" should "enforce copyright protection as to those goods" when they are imported, eBay Br. 15: It is precisely the importation of foreign-made copies of works that are "subject to protection under this title" (17 U.S.C. § 104) that *first* implicates the exclusive rights provided by the Copyright Act, *see id.* § 602(a)(1); *see also* Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int'l L. 587, 590 (1997) (importation provision "proclaims, 'I don't care how lawfully made that copy was wherever you obtained it, nor do I address what happens to that copy so long as it stays outside the United States; but, once you bring it *here*, it's *our* law that applies'").

Section 106. Section 106 provides that "the owner of copyright *under this title* has the exclusive rights to do and to authorize" certain actions with respect to copyrighted works. 17 U.S.C. § 106 (emphasis added). According to Kirtsaeng, this provision would yield "nonsense" if "under this title" were interpreted to mean "on United States soil," because "an owner who leaves the U.S." would then "los[e] all rights." Br. 33 (emphasis and internal quotation marks omitted).

But no one is arguing that the "owner of copyright under this title" retains that status only when located in the United States. Kirtsaeng suggests otherwise only by pretending that Wiley believes "under this title" and "on United States soil" to be interchangeable. *See* Br. 33. Not so. *See supra* at 16-17 & n.1. Wiley's interpretation of "under this title"—*i.e.*, pursuant to Title 17—makes perfect sense in Section 106, which grants exclusive rights to the "owner of copyright" pursuant to the Copyright Act, which contains detailed provisions on the subject of ownership, *see, e.g.*, 17 U.S.C. § 201.

Section 109(c). Section 109(c) provides that "the owner of a particular copy *lawfully made under this title*" is "entitled, without the authority of the copyright owner, to display that copy publicly." 17 U.S.C. § 109(c) (emphasis added). Kirtsaeng protests that, under Wiley's interpretation of "lawfully made under this title," "the right to display" provided in Section 109(c) "would be limited to copies 'manufactured in the U.S.'" Br. 34. That is true as far as it goes: A "photograph . . . printed in Niagara Falls, Ontario" (*ibid.*) is not "lawfully made under this title" because the Copyright Act did not apply to its manufacture. But this point does not support Kirtsaeng's claim that Section 109(c) would make "no sense at all" (*id.* at 33) if Wiley were correct.

As discussed in more detail below, the premise of the first-sale doctrine is that the copyright owner is entitled to obtain "a price satisfactory to it" through "exercis[ing]" its exclusive rights. *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 351 (1908). But Kirtsaeng cannot explain why the sale of a Canadian-printed photograph in Canada should be understood as an "exercis[e]" (*ibid.*) of any exclusive rights provided by

American law, which was completely inapplicable. Kirtsaeng would prefer an approach under which a sale anywhere in the world would terminate the copyright owner's exclusive rights—in this hypothetical, the right to publicly display the work. But that is not the approach adopted by Congress in 1976 (or, for that matter, by most other countries in the world). *See infra* at 45-46.

Kirtsaeng finds it "[un]natural" that the "proprietor of a café in Buffalo" would be "forbidden to hang the photo [purchased in Canada] without permission." Br. 34. But what he finds odd is a central tenet of the Copyright Act: "owner[s] of copyright" have "exclusive rights" to "display the[ir] copyrighted work publicly," and any infringing display is therefore illegal. 17 U.S.C. § 106. Congress's decision to create a limited exception to this rule covering copies "lawfully made under this title" hardly compels the Court to conclude that "nondiscrimination" principles require expanding the exception to include copies made under the laws of foreign countries.[4]

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[4] Kirtsaeng's *amici* similarly miss the mark in claiming that Wiley's interpretation would "pu[t] at risk museums' ability to exhibit foreign-made works of art to the public." Museum Br. 13 (capitalization omitted). They acknowledge that other statutory defenses, such as fair use, could protect museums' ability to publicly display foreign-made artwork. *See id.* at 13 n.17. Yet even more significantly, they are simply advancing their preferred outcome—that the copyright owner should not be permitted to sell only the foreign rights for its foreign-made copies without also parting with its U.S. rights—under the guise of statutory interpretation. But just as most copyright regimes have concluded that the sale of a foreign copy does not exhaust the copyright owner's domestic rights to control distribution, there is no basis for assuming that such a sale exhausts the domestic right to display the copy publicly. And if an excep-

[Footnote continued on next page]

Section 110. Section 110 provides that certain "performance[s] or display[s]" during "face-to-face teaching activities" are "not infringements of copyright" unless they are "given by means of a copy that was not *lawfully made under this title*" and that "the person responsible for the performance knew or had reason to believe was not lawfully made." 17 U.S.C. § 110(1) (emphasis added); *see also id.* § 110(2) (similar). Kirtsaeng claims it is "absurd" that "[a] teacher could play for her students a U.S.-made CD of the New York Philharmonic playing Mozart," but not "the same exact recording from a CD stamped in Asia." Br. 35.

Kirtsaeng assumes that the foreign copy he describes is "not lawfully made under this title." The phrase "not lawfully," which does not appear in Section 109(a), seems to mean "unlawfully," in which case Section 110(1) would preclude the use of copies that are made *in violation of* the Copyright Act.

But even if that were not so, Kirtsaeng is again stating his preferred view about how the copyright laws *should* function under the pretense of a "non-discriminatory lens." Br. 34. Section 110 embodies a legislative judgment that the "mak[ing]" of copies "under this title" entails certain limitations on the copyright owner's ability to restrict educational performances or displays, yet Kirtsaeng never explains how the production of a copy in a foreign country, where the Copyright Act does not apply, should cre-

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tion to this rule is warranted for museums because the copyright owner could—as in any other context—"decide not to grant a license" or "demand a sizeable royalty payment," Museum Br. 14, Congress is perfectly capable of adopting one.

ate the same limitations if the copy eventually happens to make its way into the United States. At a minimum, it is not an "absurd" (Br. 35) outcome to say that Section 110 is inapplicable to such copies (especially where, as in this case, they were never subject to an authorized sale in the United States, *see infra* at 50-51).

Section 1006. Section 1006 provides that statutorily required "royalty payments" be "distributed" to certain "copyright part[ies]" whose "musical work or sound recording" has been "embodied" in a "recording *lawfully made under this title*." 17 U.S.C. § 1006(a)(1)(A) (emphasis added). The "royalty payments" are paid by vendors of both "digital audio recording devices" (*i.e.*, "machine[s] or device[s]" designed to make "digital audio copied recording[s] for private use," *id.* § 1001(3)) and "digital audio recording medi[a]" (*i.e.*, "material object[s]" "used by consumers" to "mak[e] digital audio copied recordings by use of a digital audio recording device," *id.* § 1001(4)(A)). *See id.* §§ 1003, 1004. On Wiley's interpretation of the phrase "lawfully made under this title," these provisions require that vendors of home audio recording equipment pay royalties to be distributed among parties who have made recordings of their works pursuant to the Copyright Act.

Kirtsaeng claims that it would be a "direct conflict" not to require "royalty payment[s] under § 1006" for "copies manufactured abroad" because Section 1004 "provides for payment of royalties on 'each digital audio recording medium imported into and distributed into the United States." Br. 35 (emphasis omitted) (quoting 17 U.S.C. § 1004(b)). But this argument ignores the difference between the "digital audio recording medium" and the "em-

bodi[ment]" of the "music work or sound recording" itself. The obligation to pay royalties is triggered by importing the *recording device* or *recording medium*, and it is perfectly natural to distribute royalties only to those whose *recordings* have been made in the United States (where the recording device and medium could be used to duplicate them). Kirtsaeng simply misreads the statute. *See ibid.* (claiming that the statute "regulates . . . audio recordings" and requires "manufacturers, importers, or distributors of *such products* to pay royalties to copyright owners" (emphasis added)).

Section 109(e). Section 109(e) provides that "the owner of a particular copy of [an arcade video] game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment." 17 U.S.C. § 109(e) (emphasis added). As Kirtsaeng notes, this provision overruled the Fourth Circuit's decision in *Red Baron-Franklin Park, Inc.* v. *Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). *See* H.R. Rep. No. 101-735, at 9 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6940. But he is mistaken as to the "holding" (Br. 36) that Section 109(e) overruled.

The copyright owner in *Red Baron* was a video game manufacturer, which alleged that an arcade company had infringed its exclusive right "to perform the copyrighted work publicly" (17 U.S.C. § 106(4)) by purchasing used circuit boards containing the video game and installing them for use by the public. 883 F.3d at 277. The arcade company claimed that its use of the circuit boards was protected by Section 109(a), but the Fourth Circuit disagreed. The court reasoned that "the statute codifying the first sale

doctrine, 17 U.S.C. § 109(a), is limited in its effect to the *distribution* of the copyrighted work." 883 F.2d at 280 (citation omitted). Because Section 109 "has no application to the rights of the owner of a copyright guaranteed by § 106, except the right of distribution," "the first sale doctrine does not apply to the performance right" invoked by the video game manufacturer. *Id.* at 280-81.

Section 109(e) overrules *Red Baron* by providing that the owner of an arcade video game may "publicly perform or display" the game "*[n]otwithstanding the provisions of sections 106(4) and 106(5).*" 17 U.S.C. § 109(e) (emphasis added). That is, Congress passed Section 109(e) "to rectify the anomaly in the Copyright Act that permits copyright owners of electronic audiovisual games designed for use in coin-operated equipment to sell printed circuit boards containing the games and then turn around and successfully sue to prevent use of the circuit boards for their intended purpose." H.R. Rep. No. 101-735, at 9.

Kirtsaeng notes that the arcade company in *Red Baron* had "purchased used circuit boards abroad and imported them without [the video game manufacturer's] consent." 883 F.2d at 277. But this fact had nothing to do with the Fourth Circuit's decision. To the contrary, the video game manufacturer *conceded* that the arcade company had the "right to purchase, import and even to sell [the] circuit boards without [its] consent." *Id.* at 278. The *only* issue before the Fourth Circuit—and thus the only point on which the decision was overturned—was whether the Section 109(a) "act[s] as a limitation on the public performance right." H.R. Rep. No. 101-735, at 9. Congress's response to *Red Baron* is not a "nullity"

(Br. 37) simply because it did not address an issue that was not presented in the case.

D. Congress Has Acquiesced In Nearly 30 Years Of Judicial Decisions Holding That Section 109(a) Does Not Apply To Foreign-Made Copies.

For almost 30 years, the consensus view among the lower courts has been that the first-sale doctrine does not apply to copies manufactured abroad, at least where the copy at issue has not been subject to any domestic sale authorized by the copyright owner. But while Congress has amended Section 109 in several respects, it has never questioned, let alone overturned, this interpretation. Congress's longstanding acquiescence provides further support for Wiley's interpretation of Section 109(a).

1. In a seminal 1983 decision, the Eastern District of Pennsylvania held that Section 109(a) does not "gran[t] first sale protection" to "purchasers of imports." *CBS, Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd*, 738 F.2d 421, 424 (3d Cir. 1984) (table). Any contrary interpretation, the court emphasized, "would render § 602 virtually meaningless." *Ibid.* Following *Scorpio*, courts across the country agreed that Section 109(a) does not apply to foreign-made copies. *See, e.g.*, Opp. 14 n.3 (collecting citations).

In 1991, the Ninth Circuit joined the list of courts agreeing with *Scorpio* and held that "[t]he words 'lawfully made under this title' in § 109(a) grant first sale protection only to copies legally made and sold in the United States." *BMG Music* v. *Perez*, 952 F.2d 318, 319 (9th Cir. 1991). "*Scorpio*'s concern over the possibility of rendering meaningless § 602 is justified," the court concluded, "and, for that reason,

so is its result." *Ibid.* The Ninth Circuit has twice reaffirmed this holding. *See Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994) ("sales abroad of foreign manufactured United States copyrighted materials do not terminate the United States copyright holder's exclusive distribution rights" (emphasis omitted)); *Omega*, 541 F.3d at 987 (noting the court's "general limitation of § 109(a) to copies that are lawfully made in the United States").

2. This Court has "recognized that Congress' failure to disturb a consistent judicial interpretation of a statute may provide some indication that 'Congress at least acquiesces in, and apparently affirms, that [interpretation].'" *Monessen Sw. Ry. Co.* v. *Morgan*, 486 U.S. 330, 338 (1988) (quoting *Cannon* v. *Univ. of Chi.*, 441 U.S. 677, 703 (1979)) (alteration in original); *see also, e.g.*, *Gulf Oil Corp.* v. *Copp Paving Co.*, 419 U.S. 186, 200-01 (1974) (same). And the conclusion that Congress has "adopted" the consistent view of the lower courts is further confirmed by the fact that Congress has amended Section 109 in *other* respects during the relevant time period. *Keene Corp.* v. *United States*, 508 U.S. 200, 212 (1993).

In 1994, for example, after the Ninth Circuit had endorsed *Scorpio*'s interpretation of Section 109(a), Congress amended the provision to add a second sentence, which modifies the first-sale doctrine in the case of certain restored works. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, sec. 514(b), 108 Stat. 4809, 4981 (1994). Yet even though Congress was adjusting the scope of the first-sale doctrine, it did not make any changes to the operative language ("lawfully made under this title") that had

consistently been interpreted by the lower courts as excluding foreign-made copies. And Congress then amended Section 109(a) twice more—in 1997 and 2008—without altering the statutory text. *See* Title 17 Technical Amendments, Pub. L. No. 105-80, sec. 12(a)(5), 111 Stat. 1529, 1534 (1997); Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, sec. 209(a)(1), 122 Stat. 4256, 4264.

Congress has not hesitated to amend the Copyright Act in response to lower-court decisions; rather, it has responded with statutory amendments when it has disagreed with even a *single* court of appeals decision. *See supra* at 33-35 (discussing the Fourth Circuit's decision in *Red Baron*); *see also, e.g.*, 1 William F. Patry, *Patry on Copyright* § 1:96 (2012) (amendment overturning *La Cienega Music Co.* v. *ZZ Top*, 53 F.3d 950 (9th Cir. 1995)); *id.* § 1:101 (amendment responding to *MAI Systems Corp.* v. *Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993)). Congress's failure to do so with respect to Section 109(a) is powerful confirmation that it has acquiesced in the lower courts' conclusion that the statute is inapplicable to foreign-made copies.

3. As Kirtsaeng notes, the lower courts have disagreed on some aspects of Section 109(a) that are not implicated here. Although the Ninth Circuit agreed that the statute should be read as "refer[ring] 'only to copies legally made . . . in the United States,'" it has left open the "continuing viability" of an exception to this "general" rule under which "parties can raise § 109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred." *Omega*, 541 F.3d at 989-90 (quoting *BMG Music*, 952 F.2d at 319). Other courts, including the

Second Circuit below, have rejected this "compromise position" (Br. 26) as inconsistent with the text of Section 109(a). *See* Pet. App. 26a.

Because the textbooks at issue here were not subject to an authorized sale in the United States, this Court need not decide whether Section 109(a) could be invoked following such a sale. *See infra* Part III.C. And it therefore has no need to decide whether Congress could be said to have acquiesced in either of the competing answers to that question. Instead, the Court can resolve this case by holding that—at a minimum—Congress has accepted the consistent view of the lower courts that Section 109(a) is inapplicable to foreign-made copies at least where they have not been subject to an authorized sale in the United States.

II. The History And Purpose Of The Copyright Act Of 1976 Confirm That Section 109(a) Does Not Apply To Foreign-Manufactured Copies.

Kirtsaeng's interpretation of Sections 109(a) and 602(a)(1) requires this Court to assume that, in enacting the Copyright Act of 1976, Congress intended to "giv[e] copyright holders a copyright remedy against rogue distributors," Br. 44, while leaving them completely powerless to prevent "arbitrage" by individuals who purchase copyrighted goods in foreign countries and import them for resale in the United States, *id.* at 15. As discussed above, the statutory text cannot bear this interpretation. But even if the text were viewed as ambiguous, the history and purpose of the Copyright Act of 1976 forecloses Kirtsaeng's reading of the statute.

A. The Copyright Act of 1909 prohibited the importation of "piratical copies of any work copyrighted

in the United States." Act of Mar. 4, 1909, ch. 320, § 30, 35 Stat. 1075, 1082. This "earlier prohibition is retained" in Section 602(b) of the Copyright Act of 1976, *Quality King*, 523 U.S. at 146, which prohibits importation of copies "the making of [which] . . . would have constituted an infringement of copyright if this title had been applicable," 17 U.S.C. § 602(b). Under pre-1976 law, however, a copyright holder could not prevent the importation of copies that had been made in a foreign country by, or with the authorization of, the copyright holder. *See, e.g.*, House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Pt. 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 193 (Comm. Print 1963) ("*Copyright Law Revision Pt. 2*").[5]

This regulatory gap prompted considerable discussion as the Register of Copyright was considering proposed revisions to the copyright laws. The publishing industry and others commentators "suggested that the import ban . . . should be extended to bar the importation of [a] foreign edition in contravention" of an "agree[ment] to divide the international markets." House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 125-26 (Comm. Print. 1961) ("*Copyright Law Revision Pt. 1*"). But the Register initially declined to suggest any changes to the importation

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[5] Kirtsaeng claims that, in making this point in opposition to certiorari, Wiley "concede[d]" that "the first-sale defense applied with equal force" to foreign-made copies. Br. 51. But the point is not that the *first-sale doctrine* permitted the importation, but that the *importation provision* itself was inapplicable to non-piratical copies.

provision, reasoning that agreements to divide geographic markets were "primarily a matter of private contract." *Copyright Law Revision Pt. 2*, at 194 (statement of Barbara A. Ringer, Copyright Office); *see also Copyright Law Revision Pt. 1*, at 126.

Commentators responded to this initial proposal by emphasizing that holders of exclusive U.S. copyrights "[v]ery frequently" face "clea[r] infringement" when "copies of the same work . . . produced in a foreign country" are "shipped over here without violating any contract of the U.S. copyright proprietor," because "the [foreign] publisher sold it to an individual who in turn shipped it over here." *Copyright Law Revision Pt. 2*, at 213 (statement of Sidney A. Diamond, London Records); *see also*, *e.g.*, *id.* at 212 (statement of Horace S. Manges, Am. Book Publishers Council) (breach-of-contract lawsuits are "expensive, burdensome, and, for the most part, ineffective"). As these commentators emphasized, contractual remedies were insufficient to protect territorial limitations on distribution because privity did not always exist between the U.S. copyright holder and the infringing importer. *Id.* at 213 (statement of Mr. Diamond) ("no possibility of any contract remedy under those circumstances"); *see also*, *e.g.*, *id.* at 213 (statement of Edward A. Sargoy, Am. Bar Ass'n) ("no contractual relationship"). They proposed, therefore, "an express recognition in the proposed bill of the principle of territoriality of copyright," which would "exten[d] the import ban on piratical copies to genuine foreign printed books which are sought to be imported" absent the "consent of the U.S. copyright proprietor." *Id.* at 275 (letter from Walter J. Derenberg); *see also id.* at 232 (comment from Am. Book Publishers Council, Inc. and Am. Textbook Publishers Inst.) (proposing ban on "copies imported into the

United States in violation of a territorial agreement," "even though legally produced").

In response to these concerns, the Copyright Office endorsed, and Congress ultimately enacted, legislation to create an additional limitation on importation—now embodied in Section 602(a)(1)—of "foreign copies that were made under proper authority." House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Pt. 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 203 (Comm. Print 1964). In particular, the proposal was designed to prohibit importation where "the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Pt. 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 150 (Comm. Print 1965).

B. The history and purpose of the Copyright Act of 1976 confirms that Congress intended to permit U.S. copyright holders to segment domestic and international markets. And, just as significantly, it shows that Congress did so because the alternative remedy—a breach-of-contract lawsuit against the foreign distributor—was unavailable where the importer had purchased the copy abroad.

Based on this history, Kirtsaeng cannot reasonably claim that Congress was concerned exclusively—or even primarily—with "rogue distributors." Br. 44. The Register believed that issue could be handled by "private contract," *Copyright Law Revision Pt. 2*, at 194 (statement of Ms. Ringer), and the realization that privity would not exist between the copyright holder and subsequent purchasers thus prompted

the addition of Section 602(a)(1): "Congress deliberately wished to enforce, through the copyright laws, territorial restrictions rather than have copyright owners rely on contracts, and for the obvious reason that importations that violate such restrictions frequently involve third parties not in privity with the copyright owner." 4 *Patry on Copyright*, *supra*, § 13:44. That is precisely why the debates on the bill emphasized the possibility that the "the [foreign] publisher" might have "sold [the copy] to an individual who in turn shipped it over here." *Copyright Law Revision Pt. 2*, at 213 (statement of Mr. Diamond); *see also* Pet. App. 68a ("No privity of contract exists between the manufacturer and the subsequent buyer of the goods.").

Even more significantly, there would have been no reason for Congress to single out "rogue distributors" and leave unchecked the ability of others to purchase foreign copies and import them into the United States. The copyright owner's ability to segregate international markets is useful only to the extent that it can prevent copies from one market from competing with, and undermining demand for, copies in the other markets. "Given the . . . *increased* protection afforded U.S. copyright holders who decide to print abroad," therefore, "it would not seem consistent with Congressional intent to retrench U.S. copyright holder[s'] rights in this manner." Pet. App. 68a-69a.

III. CONGRESS'S DECISION TO LIMIT THE FIRST-SALE DOCTRINE TO COPIES PRODUCED PURSUANT TO THE COPYRIGHT ACT IS SUPPORTED BY SOUND PUBLIC POLICY.

Kirtsaeng and his *amici* devote considerable attention to policy arguments that, they maintain,

warrant application of Section 109(a) to foreign-made copies. But they largely ignore that their approach—under which the purchaser of a foreign-made copy could import that copy and sell it in competition with domestic copies—would undermine a central policy judgment made by Congress in 1976. This Court, however, gives "consistent deference" to Congress in the area of copyright. *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984). If there are indeed "hard policy choices" raised by either interpretation, then the "matter must be left to Congress." 4 *Patry on Copyright*, *supra*, § 13:44. In any event, Kirtsaeng and his *amici* understate the policy interests in favor of Wiley's interpretation and overstate their own supposed policy interests.

A. Applying Section 109(a) To Foreign-Made Copies Would Be Inconsistent With The Reasoning Underlying The First-Sale Doctrine.

The Constitution expressly authorizes Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. This provision, as well as the copyright laws that Congress has enacted under it, reflects a "difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony*, 464 U.S. at 429.

"The limited monopoly granted to the artist" under copyright law is "intended to provide the necessary bargaining capital to garner a fair price for the value of the works passing into public use." *Stewart*

v. *Abend*, 495 U.S. 207, 229 (1990). In this respect, the Copyright Act "motivate[s] creative activity of authors . . . by the provision of a special reward," while "allow[ing] the public access to the products of their genius after the limited period of exclusive control has expired." *Sony*, 464 U.S. at 429.

The first-sale doctrine embodies the sensible conclusion that, once the copyright owner has "exercised [its] right to vend" a copyrighted work "in quantities and at a price satisfactory to it," *Bobbs-Merrill*, 210 U.S. at 351, then it has received the "fair return for [its] labors" provided by copyright law, *Harper & Row, Publishers, Inc.* v. *Nation Enters.*, 471 U.S. 539, 546 (1985). To permit the copyright owner to "control all future retail sales" in such circumstances "would give a right not included in the terms of the statute, and . . . extend its operation, by construction, beyond its meaning." *Bobbs-Merrill*, 210 U.S. at 351. Thus, "once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King*, 523 U.S. at 152.

This doctrine presumes that the copyright owner has actually "exercised" (*Bobbs-Merrill*, 210 U.S. at 351) its rights *under U.S. law*. Otherwise, there would be no guarantee that the copyright owner had the opportunity to receive the "fair return for [the] 'author's' creative labor" that Congress provided in the Copyright Act. *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S. 151, 156 (1975). It is therefore critical to recognize, as the leading copyright treatise explained at the time of *Bobbs-Merrill*, that "[w]hen protection is secured for the same work in different countries, there is a separate and independent copyright for each country." Eaton S. Drone, *A Treatise*

on the Law of Property in Intellectual Productions in Great Britain and the United States 336 (1879). That is, "[t]he copyright granted by one government is *wholly distinct* from that conferred by another." *Ibid.* (emphasis added).

When the copyright owner holds "wholly distinct" rights (Drone, *supra*, at 336) under *both* U.S. *and* foreign law, there is no reason to assume that the sale of a copy made abroad entails *any* consideration for (or should exhaust) the U.S. rights. And that is particularly true where (as here) the foreign-made copies are sold subject to a clear and acknowledged restriction that they are "authorized for sale" only in specified foreign countries and "may not be exported." Pet. App. 6a; *see also* J.A. 81-83 (Kirtsaeng acknowledging that he understood this limitation). In such circumstances, "[t]o allow the first sale defense" would "violat[e]" the basic principle that "a copyright owner should, on first sale, be entitled to realize the *full value* of each copy." 2 Paul Goldstein, *Goldstein on Copyright* § 7.6.1.2.a, at 7:141 (Supp. 2011) (emphasis added).

Consistent with this reasoning, the "most widely used regime for exhaustion" in the world is "national exhaustion," under which "the intellectual property right to distribute exhausts only within the country that it is sold," and "the owner's distribution right still exists in every other country." Ryan L. Vinelli, *Bringing Down the Walls: How Technology Is Being Used To Thwart Parallel Importers Amid the International Confusion Concerning Exhaustion of Rights*, 17 Cardozo J. Int'l & Comp. L. 135, 148 (2009); *see also, e.g.*, Theo Papadopoulos, *The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products*,

2 Ent. L. 40, 50-52 (2003) (distinguishing national from international exhaustion). In stark contrast, Kirtsaeng's theory—that "a copyright owner's rights are exhausted upon the first sale, and it does not matter where that first sale occurs," Br. 48—would require "judicial imposition of world-wide exhaustion, a step not a single country in the world has adopted," 4 *Patry on Copyright*, *supra*, § 13:46. The suggestion that Wiley's interpretation of Section 109(a) would unmoor the first-sale doctrine from its roots, supposedly in violation of the presumptions invoked by Kirtsaeng, Br. 49-55, is nonsense.[6]

B. Copyright Owners Should Be Permitted To Price Their Works To Reflect Market Conditions In Different Countries.

Kirtsaeng repeatedly suggests that Wiley has engaged in misbehavior by charging higher prices for textbooks in the United States than for lower-quality editions sold in Thailand. He even implies (falsely) that Wiley has "goug[ed] the wealthier New York population with higher prices." Br. 15. But there is a reason why Congress chose in 1976 to permit segmentation of international markets: It is both common practice and economically efficient for companies to sell their products in different countries at

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[6] Indeed, international exhaustion is sufficiently "controversial" (4 *Patry on Copyright*, *supra*, § 13:37 (internal quotation marks omitted)) that it was "expressly rejected by countries adhering to the Berne Convention," including the United States, "in the debates over the 1996 WIPO treaties." *Id.* § 13:46. Instead, the WIPO treaty provides that the scope of exhaustion is to be determined individually by each country. *See* WIPO Copyright Treaty art. 6(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, 2186 U.N.T.S. 121.

different prices, and in different forms, based on differing conditions in the relevant marketplaces. *See, e.g.*, IPO Br. 16. The market for college textbooks provides an excellent example.

As the Government Accountability Office has explained, "[t]he demand for textbooks can vary across countries" because of "differences in income levels or in the classroom role of textbooks." U.S. Gov't Accountability Office, *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*, GAO-05-806, at 21 (2005), *available at* http://www.gao.gov/new.items/d05806.pdf. "In assigning prices," therefore, publishers must "consider local market conditions and the willingness and ability of students to purchase the textbook." *Id.* at 22.[7]

In many developing countries, "incomes are generally too low for students to buy textbooks at U.S. prices." *College Textbooks*, *supra*, at 22. If publishers were to price these textbooks at the same level as the U.S. editions, then the result would either be less widespread access to quality educational materials, or at least "fewer *legitimate* copies" of the textbooks as consumers unable to afford them turn instead to piracy. *See ibid.* (emphasis added) (noting that "governments have been more responsive in dealing with piracy cases when textbooks are priced at a level that local students can afford").

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[7] Although Wiley does not endorse all of the findings made in the GAO's report, *see College Textbooks*, *supra*, at 26-28 (noting concerns expressed by the Association of American Publishers), it nonetheless believes that the report's summary of the many factors that bear on pricing in different countries provides useful context for the Court.

The price of textbooks is also heavily influenced by "differences in instructional styles and systems of higher education." *College Textbooks*, *supra*, at 22. The GAO noted, for example, that "textbooks tend to sell for lower prices" in the United Kingdom, where professors are "more likely to recommend several textbooks for students to consider," and "there is less demand for electronic and print supplements" (such as the ones included in Wiley's U.S. textbooks) "to support teaching and learning." *Ibid.*

That "[c]ollege textbook prices in the United States may exceed prices in other countries" is not just the reality of "market conditions" around the world, it also reflects the need for publishers to recover the "substantial development costs" necessary to produce and update textbooks. *College Textbooks*, *supra*, at 21. As in many other areas of intellectual-property law, "[p]ublishers typically incur substantial costs in order to develop textbooks, but once these development costs have been undertaken, the additional cost of producing more copies is quite low." *Ibid.* Publishers therefore "sell textbooks in other countries at prices that are closer to printing and distribution costs while charging prices in the United States that *better reflect the high costs of development*." *Id.* at 23 (emphasis added).

Publishers must be able to charge a price in the United States that accounts for the "significant investment of time and resources" involved in "developing a textbook." *College Textbooks*, *supra*, at 5. But the importation of lower-priced foreign versions into the United States, where they would compete with the U.S. versions, undermines this need; as the district court found, "U.S. copyright holders would have less incentive to license the printing of lower-priced

editions in foreign countries" if "they would, in effect, lose U.S. copyright protection for, and profits on, their higher-priced U.S. works." Pet. App. 69a.

Kirtsaeng claims his approach would be costless, resulting only in an "alternative market" for "lower-priced textbooks." Br. 7. But this ignores basic economic reality. Publishers are able to "offer inexpensive versions of books and computer programs in developing countries," but this practice would be self-defeating if "such inexpensive copies [were] imported into the United States where they unfairly compete with copies made in the United States." 4 *Patry on Copyright*, *supra*, § 13:44. And thus the likely result of Kirtsaeng's proposal would be reduced access to educational materials around the world, with little corresponding benefit for American students.

* * *

As this Court has emphasized, "copyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge." *Eldred* v. *Ashcroft*, 537 U.S. 186, 212 n.18 (2003) (internal quotation marks omitted); *see also*, *e.g.*, *Mazer* v. *Stein*, 347 U.S. 201, 219 (1954) ("economic philosophy" behind copyright law is "encouragement of individual effort by personal gain"). Yet Kirtsaeng would ignore not only this fundamental principle, but also the need for creators to recover the often substantial costs of their creative efforts.

C. KIRTSAENG'S PARADE OF HORRIBLES IS SPECULATIVE AND UNPERSUASIVE.

Kirtsaeng has no answer to the policy concerns that *actually* motivated the 1976 amendments to the

importation provision and the first-sale doctrine. Instead, he imagines a host of "unfathomable" consequences that supposedly would result from adopting the Second Circuit's "'political-suicide'" interpretation of Section 109(a). Br. 25, 57.

Kirtsaeng's arguments depend on his assumption that the copyright owner could impose restrictions on downstream purchasers even after having authorized the sale of a particular copy in the United States. Kirtsaeng's speculation (Br. 57) that "big movie producers" could "demolish movie rental services" by "manufacturing DVDs in Mexico," for instance, depends critically on his belief that the studios would still be able to "enjoy a permanent veto over any further rental" after an authorized sale of those DVDs in the United States.

Kirtsaeng seeks to focus on these hypotheticals, rather than his own conduct, because his sales of Wiley's textbooks were *concededly* unauthorized.[8]

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[8] Kirtsaeng acknowledges his own conduct only briefly, accusing Wiley of "torment[ing] a graduate student" for "making a measly profit of a few thousand dollars" and "crush[ing] him with a $600,000 judgment and an order to turn over his computer and golf-clubs." Br. 58. Kirtsaeng testified that he sold 632 copies of Wiley's textbooks for total revenue of about $37,000. C.A. J.A. 260. And he also acknowledged that this was part of a broader effort to develop a marketplace for illegally imported textbooks: He made "about $900,000" in revenue, and "about a hundred thousand dollars in profit," from selling foreign-made textbooks from Wiley and other publishers. *Id.* at 296, 299. He also attempted to avoid detection, including by opening eBay accounts under other names, *see id.* at 277-83, and by changing his eBay username after this lawsuit was filed, *see id.* at 286-87. And while Wiley was ultimately forced to seek recovery from Kirtsaeng's personal property, he conveniently ignores that he had by then transferred large sums of money

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Because this case does not involve a downstream domestic purchaser of *authorized* imports, however, this Court need not decide whether the copyright owner would be able to restrict further distribution in such circumstances. In any event, Kirtsaeng's hypotheticals are misguided.

1. Wiley's interpretation of Section 109(a) is supported by the consensus view of the lower courts for almost 30 years; these cases have repeatedly recognized that the first-sale doctrine in Section 109(a) does not apply to copies manufactured abroad, at least where the copy has not been subject to an authorized domestic sale. *See supra* at 35-36. And this consensus view is shared by the leading commentators on copyright law. As one prominent treatise explains, the Copyright Act should be "interpreted to bar the importation of gray market goods that have been manufactured abroad." 2 *Nimmer on Copyright*, *supra*, § 8.12[B][6][c] (footnote omitted). Another commentator similarly notes that the Copyright Act prohibits the importation of copies that "were not 'lawfully made under this title,' *i.e.*, were not made in the United States." 4 *Patry on Copyright*, *supra*, § 13:44; *see also*, *e.g.*, *id.* § 13:46 ("Section 109 is not available for copies made overseas since section 109 is by its terms limited to copies 'lawfully made under this title,' i.e., in the United States.").

If Kirtsaeng were correct that Wiley's interpretation of Section 109(a) would cause such dire consequences, those consequences should *already* have oc-

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[Footnote continued from previous page]
out of the country. *See id.* at 295 (discussing transfer of "$170,000 in cash to my father").

curred in response to 30 years of judicial decisions and commentary. Yet Kirtsaeng cannot identify even a *single* example of a copyright holder locating its manufacturing operations overseas in an attempt to impose restrictions on resale in the domestic market, or indeed any of the other perverse incentives supposedly created by the decision below. For this reason, even Kirtsaeng has acknowledged the "natural response" to his "parade of horribles" would be to "roll one's eyes." Pet. 15.

There is a perfectly good reason why the "implausible" (Br. 58) scenarios described by Kirtsaeng remain figments of his imagination. Congress has not hesitated to amend the copyright laws "as new developments have occurred in this country." *Sony*, 464 U.S. at 430-31. If a manufacturer were ever tempted to move its facilities abroad in an attempt to stifle secondary markets for *authorized* U.S. purchases, it would be forced to confront not only the inevitable backlash from American consumers, but also the real possibility that Congress would respond by providing that an authorized sale by the copyright owner in the United States is sufficient to trigger the first-sale doctrine, even for foreign-made copies. Given the substantial costs of building manufacturing facilities, it seems unlikely that any manufacturer would be willing to take this risk—and, to Wiley's knowledge, none ever has.[9]

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[9] Other hypotheticals invoked by Kirtsaeng are not only unrealistic, but foreclosed by *other* provisions of law, regardless of how the first-sale doctrine is interpreted. Kirtsaeng expresses concern that manufacturers might affix a "copyrightable component" onto products that would not ordinarily qualify for copyright protection, Br. 4, but the copyright-misuse doctrine provides an independent check on this behavior, *see Lasercomb*

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2. Yet if Kirtsaeng's hypotheticals had even superficial plausibility, that could be explained in large measure by the fact that the operative text of Section 109, and the Copyright Act generally, are more than 36 years old. Many of the scenarios that he imagines would have been impossible, or at least more difficult, in 1976, and there is accordingly no reason to believe they even *occurred* to Congress.

Kirtsaeng describes "[m]illions of cars" being "imported into the U.S." with "copyrighted software." Br. 57. But Congress declined in 1976 to define a copyright owner's rights in computer programs, *see Vault Corp.* v. *Quaid Software Ltd.*, 847 F.2d 255, 259-61 (5th Cir. 1988); it did not address the issue until 1980, *see* Computer Software Copyright Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015, and even then it seems unlikely that Congress would have anticipated the ubiquity of computer software in modern consumer products. Kirtsaeng engages in similar anachronism in imagining "big movie producers" shutting down "movie rental services (like Netflix)," Br. 57; the major video-rental chains—such as Blockbuster Video—were created in the 1980s, and Netflix was not founded until 1997. *See* Joshua M.

[Footnote continued from previous page]
Am., Inc. v. *Reynolds*, 911 F.2d 970, 973-77 (4th Cir. 1990); on remand in *Costco*, for example, the district court granted summary judgment to Costco on this basis, *see* D.E. 415, at 3, No. 2:04-cv-05443 (C.D. Cal. Nov. 9, 2011). And while Kirtsaeng claims that libraries would be unable to lend foreign-made books, Section 602(a)(3)(C) permits libraries to import "no more than five copies or phonorecords of any [non-audiovisual] work for its library lending or archival purposes." 17 U.S.C. § 602(a)(3)(C). There is no reason to believe that "a court might erroneously conclude that Section 602(a)(3)(C) does not explicitly permit the lending of the imported copies." Library Br. 20.

Greenberg, *From Betamax to Blockbuster: Video Stores and the Invention of Movies on Video* (2010). And while Kirtsaeng expresses concern for "internet-based secondary markets," Br. 57, the Internet was an obscure government-funded project in the 1970s, *see* Katie Hafner & Matthew Lyon, *Where Wizards Stay Up Late: The Origins of the Internet* (1998).

To be sure, others of Kirtsaeng's hypotheticals are based on businesses or technology—used-book stores, for example—that did exist in 1976, although it is unclear how prevalent the resale of foreign-made copies would have been at the time. But the point is that many of the examples Kirtsaeng now believes make Wiley's interpretation of Section 109(a) "unfathomable" (Br. 57) were *themselves* unfathomable when the Copyright Act of 1976 was enacted.

As this Court recognized in *Sony*, "the law of copyright has developed in response to significant changes in technology." 464 U.S. at 430. But "it has been *the Congress* that has fashioned the new rules that new technology made necessary." *Id.* at 431 (emphasis added). To the extent that changes in technology might warrant revisions to Section 109(a), this Court should exercise its "consistent deference to Congress when major technological innovations alter the market for copyrighted materials." *Ibid.*; *cf. Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 459 (2007) (patent-law amendments to reflect technological changes "should be made after focused legislative consideration, and not by the Judiciary forecasting Congress's likely disposition").

Congress has repeatedly amended Section 109 in response to technological changes. *See, e.g.*, Record Rental Amendment of 1984, Pub. L. No. 98-450, sec. 2, 98 Stat. 1727, 1727; Computer Software Rent-

al Amendments Act of 1990, Pub. L. No. 101-650, tit. 8, 104 Stat. 5134, 5134-37. But it has not made any adjustment to Section 109(a) to reach foreign-made copies. *See supra* Part I.D. "Congress may, of course, alter this result (by amending section 109 to cover copies lawfully made or distributed with authority of the copyright owner 'under this title'), but legislation is the only way to change the current situation." 4 *Patry on Copyright*, *supra*, § 13:46.

3. To be sure, the Ninth Circuit, in response to hypotheticals similar to those raised by Kirtsaeng, concluded that even foreign-made copies can be subject to Section 109(a) if the copyright holder has authorized their sale in the United States. *See supra* at 37-38. It is unclear why the court needed to adopt this exception to Section 109(a): If the copyright owner authorizes a U.S. sale of a foreign-made copy, principles of implied license or estoppel would preclude it from asserting control over subsequent sales. *Cf. Disenos Artisticos E Industriales, S.A.* v. *Costco Wholesale Corp.*, 97 F.3d 377, 382 (9th Cir. 1996) ("sales without restriction on export into the United States" create implied license to import). But in any event, this Court can leave open whether (as one of Kirtsaeng's own *amici* argues) "lawfully made under this title" could be read to include foreign-made copies that are subject to an authorized sale in the United States. *See* Library Br. 35-37 & nn.28-29.

The critical word is "made." The right to "reproduce" a "cop[y]" is one of the exclusive rights granted to copyright owners under Section 106 of the Copyright Act. 17 U.S.C. § 106(1). If Congress had intended "made" in Section 109(a) to mean "produced," it could simply have said so; the words "produce" and "reproduce" appear throughout the Copyright Act.

See, e.g., *id.* §§ 101, 108(a), 112(a)(1)(A). One reading of Section 109, therefore, is that to make a copy means not only to exercise the right to "produce" that copy, but also to exercise the right "to distribute copies . . . to the public," *id.* § 106(3). "'Lawfully made under this title' would then mean either lawfully manufactured (caused to exist) *or* placed in commerce (caused to occur or appear) in the United States." Library Br. 36. On that reading, a copy is "made under [Title 17]" when *either* the U.S. "produc[tion]" right is exercised—by making the copy in the United States—or the U.S. "distribut[ion]" right is exercised—by distributing the copy in the United States.

Because Wiley exercised neither its production right nor its distribution right in this case, there is no basis for concluding that Section 109(a) applies even under this "compromise" (Br. 25) position. Thus, while Wiley believes that the better interpretation of the statutory language is that foreign-made copies are not "lawfully made under this title," this Court need not resolve that issue to affirm the judgment below.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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REPLY BRIEF

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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INTRODUCTION[1]

This case is all about the definition of "lawfully made under this title." Wiley rejects Petitioner's nondiscriminatory reading—"made in accordance with this title"—a definition that dictionaries have embraced and that the Government advanced when this provision was previously before this Court. But what definition does Wiley endorse? Is it the Second Circuit's pro-foreign manufacture definition ("lawfully made in the United States") or the Ninth Circuit's compromise definition ("manufactured on U.S. soil or manufactured abroad and then sold with the copyright owner's approval at least once after arriving on U.S. soil")? Discerning the answer is like figuring out whodunit in an Agatha Christie novel. Wiley's brief leaves the reader in the dark until the very last sentence, which offers the big reveal: Wiley "believes that the better interpretation of the statutory language is" the Second Circuit's, Resp. 56, which means that a copy made abroad is *never* subject to the first-sale defense—at any point in the stream of commerce.

Wiley hides the reveal because the choice puts it on the horns of a dilemma. On the one hand, the definition Wiley considers "better" is inconceivable as a matter of practical reality. The drafters debat-

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[1] This brief will use the same abbreviations as the opening brief, *see* OB 3 n.2, as well as: *Copyright Law Revision Pt. 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments* (Comm. Print 1964) ("CLR-3"), and *Copyright Law Revision Pt. 5: 1964 Revision Bill with Discussions and Comments* (Comm. Print 1965) ("CLR-5").

ing § 602(a)(1)'s importation ban never considered it; indeed, no one ever proposed it. The consequences are so far-reaching and so inconsistent with prevailing law that Congress never would have adopted it—certainly not through the roundabout maneuver of interlineating the words "under this title" into a *different* provision. On the other hand, the definition Wiley considers worse—the compromise definition—is so atextual that Wiley refuses to defend it expressly. But the analysis is so tortured that it would make a Sophist blush. So Wiley straddles the two, trying to extract the benefit of each without suffering the fatal consequences of either. After advancing the pro-foreign definition as a textual matter, Wiley spends the rest of its brief pressing arguments that could only support the compromise definition.

These arguments are unpersuasive. Wiley insists, for example, that the drafters added § 602(a)(1) to override the first-sale defense. But other than noting that this is what *some* copyright owners wanted, Wiley fails to unearth a shred of evidence in the voluminous record to support the conclusion that that is what the drafters actually did.

Wiley rejects this Court's rule that Congress does not abandon hundreds of years of common law or alter long-standing statutory rights without being clear. The rule is "nonsense" here, Wiley exclaims (at 46), because "most" nations embrace the exhaustion policy Wiley proposes. Even assuming the current policies of other countries are relevant to the construction of a U.S. statute passed 40 years ago, there is no international consensus on exhaustion.

Nearly 125 countries, unable to reach agreement, *formally declared* that they could not agree.

Finally, Wiley does not dispute the myriad bizarre consequences of its position as applied to other factual circumstances—from used bookstores to electronics and used cars to online markets. Wiley dismisses these consequences, asserting that they have not materialized over the past 30 years. But the law has been uncertain throughout: This Court has intervened twice, and until *this very case*, no court adopted the definition Wiley considers "better." The moment that definition becomes the law of the land, however, the consequences are inevitable.

ARGUMENT

I. THE PHRASE "LAWFULLY MADE UNDER THIS TITLE" IS BEST READ TO SUPPORT A NONDISCRIMINATORY APPLICATION OF THE FIRST-SALE DEFENSE.

Wiley begins with a major concession: It agrees that § 109(a)'s first-sale defense trumps § 602(a)(1)'s importation ban. Wiley even acknowledges that this "was, indeed, the holding of this Court in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*," namely "that the 'literal text' of Section 602(a)(1) is 'simply inapplicable' where the first-sale doctrine applies." Resp. 14 (quoting *Quality King*, 523 U.S. 135, 145 (1998)). Yet Wiley refuses to acknowledge the consequences: Whenever the first-sale defense and the importation provision clash, the first-sale defense wins. Wiley, however, favors the

subordinate provision by seeking its *most expansive* possible reading.

Even without the thumb on the scale afforded by the first-sale doctrine's structural primacy, Petitioner's nondiscriminatory reading is superior to Wiley's reading and best accords with language elsewhere in the Copyright Act.

A. The Nondiscriminatory Definition Is the Best Reading of § 109's Text.

Petitioner's nondiscriminatory reading. Wiley asserts that there is "no textual support" for Petitioner's nondiscriminatory reading ("made 'in accordance with' this title"). Resp. 11 (emphasis omitted). Experts on the English language disagree. They often define "under" to mean "in accordance with." *E.g.*, Webster's Third New International Dictionary 2487 (2002); Bryan Garner, *A Dictionary of Modern Legal Usage* 517 (2d ed. 2001). For its part, the Government "advocated essentially that reading" in *Quality King*. U.S. Br. 13.

Wiley protests that Petitioner "never explains how [conduct] could 'accor[d]' with an inapplicable statute." Resp. 12. In ordinary English, we routinely make statements such as, "the United States acts in accordance with the Convention on the Rights of the Child." The locution is natural, even though the convention is "inapplicable" because the United States never ratified it.

So, too, here. It makes perfect sense to speak about whether a product was made in accordance

with U.S. legal standards, even if the country of origin has *different* legal standards. Our laws routinely assess manufacturing that occurred abroad against our legal standards. For example, we embargo products made abroad in violation of U.S. norms against forced child labor, 19 U.S.C. § 1307, and products made from endangered species, 16 U.S.C. § 3372. In each circumstance, it is natural to say, "This product was not made in accordance with U.S. law," even though U.S. law did not apply.

Wiley correctly observes that Petitioner's "approach would lead to the ... result that a foreign-made copy could be unlawful under the applicable foreign law, yet still 'lawfully made under' inapplicable U.S. law." Resp. 20. But there is nothing "bizarre" about this. *Id.* Nor is there anything strange about "argu[ing] that the textbooks at issue here were simultaneously 'lawfully made under' *both* the Copyright Act and foreign law." Resp. 18. Courts routinely apply two bodies of law and find activities legal under one, both, or neither. *See, e.g.*, *Wall v. CSX Transp., Inc.*, 471 F.3d 410, 414-15 (2d Cir. 2006) ("We now ... hold that plaintiff's claim is viable under both New York and Pennsylvania law ...."); *Makarova v. United States*, 201 F.3d 110, 114 (2d Cir. 2000) ("[Plaintiff] was an 'employee' under the law of both New York and the District of Columbia.").

Any dissonance Wiley perceives—and, indeed, its entire argument about extraterritoriality, Resp. 16-17—actually arises from its own misuse (at 12, 15) of the words "applicable" and "inapplicable." To shut down a Chinese book factory for printing books in

violation of U.S. law would violate the presumption against extraterritoriality. U.S. law would be "inapplicable" because the conduct giving rise to the hypothetical action (printing the books) occurred abroad. Only foreign law is "applicable."

But that is not what § 109(a) does, under Petitioner's reading. The first-sale defense never applies to the *making* of the copies, but only to the *distribution* of those copies. Section 109(a) does not purport to govern wholly foreign distribution. It simply uses U.S. law to evaluate the copies' *manufacture* in order to decide whether those copies can be sold, distributed, or disposed *within the United States*. U.S. law is "applicable" to that predicate question because § 109(a)'s reference to whether the making was "lawful[] ... under this title" makes it applicable. *See* AIPLA Br. 16-18 (Wiley's amicus rejects Wiley's extraterritoriality argument).

Wiley argues that if that is what Congress had intended, it would have said that the first-sale defense applies where the copy was "lawfully made under this title *had this title been applicable*." Resp. 21. That "counterfactual inquiry" would accomplish only half the job. A counterfactual definition of the first-sale defense ("*had* this title been applicable") would indicate that the first-sale defense is not available to U.S.-made copies (where the Act in fact *is* applicable). Thus, Wiley makes no headway by pointing out that the statute does adopt the "counterfactual inquiry" elsewhere. Resp. 21 (discussing § 602(b)).

Wiley's reading. Wiley asserts that "'lawfully made under this title' is most naturally understood as referring only to copies made in conformance with the Copyright Act *where the Copyright Act is applicable.*" Resp. 15. That is not how native speakers typically speak or write English. Bruce Springsteen sang "Born in the U.S.A.," not "Born under the U.S. Constitution," or "Born where the U.S. Constitution is applicable." In any event, Wiley never explains why Congress did not simply say, "made in conformance with the Copyright Act and *in the United States*" or, more simply, "lawfully made in the United States," which, Wiley admits, is "the *consequence* of Wiley's interpretation." Resp. 17.

Perhaps the biggest problem with Wiley's reading is that it grants copyright owners an unprecedented power to control downstream sales—a power that (as we demonstrate below) copyright owners never sought and the drafters and Congress never discussed. *See infra* at 9-13. Ever so gingerly, Wiley offers (but does not embrace) *someone else's* argument for the compromise definition. Resp. 55-56 (citing Am. Library Ass'n Br. 36). But that argument, as the Second Circuit observed, "finds no support in the statutory text." P.A. 41a.

B. The Nondiscriminatory Definition Best Accommodates Identical Language Elsewhere in the Copyright Act.

Wiley does not dispute that the six appearances of "lawfully made under this title" and the 91 appearances of the shorter phrase "under this title" all make perfect sense under Petitioner's definition. *See*

OB 32-37. In contrast, these references make no sense under Wiley's definition. *Id.* Wiley rummages frantically through each provision in search of *some* basis on which to justify its reading. But its efforts fail.

As to § 109(c), for example, Wiley does not contest that its interpretation would mean that the owner of a café could buy two identical photos of Niagara Falls from the same store, but could display one and not the other on his café walls, depending on where it was printed. OB 34. "That is true as far as it goes," Wiley concedes. Resp. 29. But that is pretty much as far as Wiley goes. Wiley does not explain why the result is sensible.

Wiley pursues the same tack with § 110. Wiley does not explain why Congress would have thought it sensible to allow a teacher to play for her class a record of the New York Philharmonic if the record was pressed in the United States, but not if the same record on the same retail rack was pressed in Asia. *See* OB 34-35. The best it can muster is the demurrer that this is "not an 'absurd' outcome." Resp. 32 (citation omitted).

While Congress might not have imagined some of the other absurd applications, *see* Resp. 53-55, it certainly could have imagined these.

II. WILEY'S ARGUMENTS AGAINST THE NONDISCRIMINATORY DEFINITION ARE UNPERSUASIVE.

At this point, Wiley's brief takes an abrupt turn. Having urged the pro-foreign definition as a matter of statutory text, the brief essentially abandons that "better" reading and defends the compromise position. This defense fails.

A. Wiley Attributes to Congress a Purpose the Drafters Did Not Have.

The dominant theme in Wiley's brief is that "the purpose of" Congress's "change[s] in law [in 1976] was to permit copyright owners to segment international markets for their works" by "prevent[ing] foreign copies from being imported and competing with domestic ones." Resp. 11. At every turn, Wiley insists with increasing certitude that that was "a central policy judgment made by Congress in 1976." Resp. 43; *see* Resp. 6, 9, 10, 13, 30, 42, 46. But there is no evidence that either Congress or the drafters embraced that goal.

Legislative history of § 602(a)(1). Wiley cannot identify a single statement by a member of Congress or snippet from a committee report to show that the importation prohibition was designed to grant copyright owners the power to prevent anyone who legally purchases a product abroad from importing it into the country. Wiley cites only the compilation of testimony and discussion among a panel of copyright experts whom the Librarian of Congress enlisted to reexamine the copyright laws in the dec-

ade before the bill was first introduced. And Wiley does not even suggest that any panelist, industry representative, or government official so much as mused about the possibility that a copyright owner would have the eternal downstream control that Wiley's "better interpretation" grants. Rather, Wiley grasps for the compromise position. But even that Wiley achieves only by selectively cobbling together exchanges between *industry witnesses*, panelists, and Copyright Office lawyers. A faithful review of the panel discussions reveals that the drafters *rejected* Wiley's approach. Costco Br. 17-24.

There is no doubt that copyright owners wanted to amend the importation provision, which at the time prohibited only importation of "piratical copies of any work copyrighted in the United States." Copyright Act of 1909, Pub. L. No. 60-349, § 30, 35 Stat. 1075, 1082. But copyright owners had clashing views of international distribution problems and solutions. *See* Costco Br. 18-19 (discussing some of the other concerns). Some railed about works "publi[shed] in a country where there is no copyright protection of any sort." CLR-2 at 213 (statement of Mr. Diamond). Such copies were not necessarily piratical, because they were perfectly legal where made, but they cut deeply into copyright owners' profits. For example, the panelists discussed a notorious circumstance when Russia's Ministry of Culture authorized reproduction of the works of Sir Arthur Conan Doyle in blatant violation of U.S. copyright norms. *See* CLR-2 at 190 (statement of Mr. Dubin). The movie industry in particular decried the problem of "legitimate" works that enter the market as rentals, but "[t]hey're stolen" and then improperly

imported, *id.* (statement of Mr. Sargoy). Wiley ignores these varied concerns, pretending that the drive to change the importation rules revolved only around one concern voiced by a couple of publishers—a concern about the situation where a publisher who tried to divide markets finds that goods sold abroad find their way into U.S. markets. Resp. 40.

Eventually, in 1964, the Copyright Office proposed adding a new importation provision—similar to § 602(a)(1), but very different in one crucial respect discussed below. *See* CLR-3 at 32; *infra* at 13 (redline comparison). This provision addressed several of the supplicants' pressing concerns, including the lawless state and stolen movies. *See* Costco Br. 20. But the Copyright Office never came close to saying that this provision was directed at helping publishers enforce divided markets—much less that it negated the first-sale defense.

In fact, in the entire compilation of the panel's deliberations and subsequent legislative history, there is exactly one conversation about the interplay between the importation provision (as then written) and the first-sale doctrine—and it was inconclusive at best. The conversation happened in 1964 (12 years before the Act passed). An industry supplicant (Irving Karp, representing the Authors League of America) and the Copyright Office's General Counsel (Abraham Goldman) were discussing the relationship between the newly proposed importation provision and the first-sale defense:

> Karp. If a German jobber lawfully buys copies from a German publisher, *are we not*

> *running into the problem of restricting his transfer of his lawfully obtained copies?*
>
> Goldman. I would suppose that the whole answer depends on whether the distribution that would take place in the United States would itself constitute an infringement of copyright. *When you apply this rule about the effect of the first sale of a copy exhausting the right to control the further distribution of that copy, your question would be whether this represents a sale of the copy that does exhaust the right.*
>
> Karp. You are right, Abe.
>
> Goldman. *This could vary from one situation to another, I guess.* I should guess, for example, that if a book publisher transports copies to a wholesaler, this is not yet the kind of transaction that exhausts the right to control disposition.

CLR-4 at 210-11 (emphasis added).

Mr. Goldman captured the bottom line, when he confessed he "was not sure this ha[d] been thought through." CLR-4 at 206. Ultimately, Mr. Goldman tabled the discussion, observing that "[t]here are too many issues as to what rights are involved and too many controversies as to whether this is or is not in violation." CLR-4 at 212. The Librarian of Congress then "suggest[ed] that pretty obviously further study is needed, and that we let this go over and see if we

can come up with an acceptable solution." CLR-4 at 215.

That "further study" yielded a critical change. One reason for the confusion among the panelists was that the draft provision did not specify whether the first-sale defense or the importation provision had primacy. But the next draft of the importation prohibition solved the confusion by giving primacy to the first-sale defense. The change was accomplished by inserting the reference to § 106. *See* Costco Br. 22-23 (explaining the significance of the change). The following redline shows the change:

> Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the ~~exclusive right to distribute copies or records~~ ***copyright*** under this title, constitute an infringement of ~~copyright~~ ***the exclusive right to distribute copies or phonorecords under section [106], actionable under section [501].***

Comparing CLR-5 at 25 *with* CLR-3 at 32. This was an elegant solution. It preserved the concessions in the draft that were already granted to copyright owners, but rejected their pleas for more in a way that was subtle enough to avoid reopening the entire discussion.

Legislative history of § 109(a). Wiley's effort to divine a purpose from the legislative history cannot stop with the legislative history of § 602(a)(1),

because Wiley insists that the critical language that grants the power it seeks comes from § 109(a). But Wiley punts on the legislative history of that section. Wiley says nothing about the plain evidence that Congress tweaked the operative language in that section to achieve the two purposes discussed in our opening brief. OB 52-53. And Wiley tacitly concedes that nothing in the legislative history or the panel discussions suggests that the changes *also* achieved a third—and completely distinct—purpose of limiting the first-sale doctrine to domestic-made goods.

This is an important point: The precise language was hammered out and debated over the course of two decades. In those extensive debates, no one ever suggested that the language limits the first-sale defense to copies made in the United States.

B. *Quality King* Supports the Nondiscriminatory Definition.

Wiley tacitly concedes most of what Petitioner has said about the holding and core logic of *Quality King*, *see* OB 38-39—most notably, that this Court's *holding* was the first-sale doctrine applies to imported copies and that § 602(a) is "simply inapplicable" "even if the first sale occurred abroad," 523 U.S. at 145 n.14. Yet, Wiley asserts, without a hint of irony, that it is Petitioner who "attempts to dismiss *Quality King*" and "tries to distinguish [it]." Resp. 19. What Wiley really means is that Petitioner disagrees with Wiley's interpretation of *two sentences* plucked from part IV of the opinion, *after* the Court announces its holding and explains its reasoning. That part is where the Court rebuts challenges to its reasoning.

One of those challenges was "that § 602(a) is superfluous" under the Court's reading. 523 U.S. at 146. This Court held that "[t]here are *several* flaws in this argument." *Id.* at 146 (emphasis added). Wiley's key passages do not arise until this Court addresses the third "flaw":

> Third, § 602(a) applies to a category of copies that are neither piratical nor "lawfully made under this title." That category encompasses copies that were "lawfully made" not under the United States Copyright Act, but instead, under the law of some other country.

Id. at 147.

Wiley's first instance of cherry-picking lies in drawing an inference from the latter sentence: "This Court's opinion recognized that copies may be made either 'under the United States Copyright Act,' or 'under the law of some other country,' but not 'under' both." Resp. 18. But that is not what that sentence says or implies. Rather, the Court was simply noting that *some* copies may be lawfully made under one country's law but not under another's, i.e., the "category" actually exists. It does not say that copies can be lawfully made under the law of one country only.

The second sentence Wiley singles out—the illustration about the publisher who divides the U.S. and British markets—is addressed in our opening brief. OB 40-42. We will just add that this sentence was part of the same discussion of how § 602(a)(1)

retains vitality even under a robust reading of the first-sale defense. It was not, as Wiley insists, about proving that a copy cannot be "lawfully made" under the law of two different countries. Resp. 18, 20. Moreover, the Court did not consider this hypothetical especially important to its analysis. The Court noted that the legislative history reflected numerous similar illustrations. It was certainly not treating the sentence—which the court of appeals accurately described as "dicta," P.A. 17a—as an axiom that overrode the Court's holding and everything else the Court said.

When all is said and done, the scorecard on *Quality King* is decidedly lopsided. Petitioner has in its favor *Quality King*'s holding, its core logic about the structure of the statue, its conclusion about the relative scope of the first-sale defense and § 602(a)(1), and its omission of any suggestion that the result had anything to do with the place of manufacture—none of which Wiley disputes, distinguishes, or explains. On Wiley's side of the ledger is a weak inference drawn from one sentence and dicta in another sentence giving the "presume[ed]" basis for a result in a hypothetical not before the Court, 523 U.S. at 147—both of which appear in the third tier of a rebuttal.

C. The Nondiscriminatory Definition Accords § 602 Ample Meaning.

Wiley admits that Petitioner's reading of the first-sale defense does not sap § 602(a)(1) of *all* meaning. Resp. 25. It argues only that none of the remaining applications of the provision are "mean-

ingful." Resp. 23-25. Here, again, Wiley's argument is premised largely on its ipse dixit (rebutted above) as to what Congress intended. *See supra* at 9-13; OB 46; Resp. 26. And here, again, Wiley ignores entire swaths of *Quality King*. Thus, for example, Wiley asserts that "Kirtsaeng ... strives to identify *some* category of cases that would remain actionable under Section 602(a)(1) notwithstanding his interpretation of Section 109." Resp. 23. But it fails to acknowledge that Petitioner was mainly reciting *this Court's* three "reasons" why § 602(a)(1) "retain[s] significant independent meaning" under the more robust interpretation of the first-sale doctrine, 523 U.S. at 149, and that *Quality King* explicitly addressed and rejected most of Wiley's efforts to diminish each of the examples.

Let us begin with the scenario discussed immediately above—the rogue distributor who violates the terms of its contractual agreement and distributes to unauthorized locations. Wiley concedes that under Petitioner's definition, § 602(a)(1) provides a *copyright* weapon against such rogue foreign distributors. *See* OB 43; Resp. 23-24. And Wiley does not dispute that the copyright weapon is superior in many material ways to a contract remedy. *See* OB 41.

Wiley's only response is that the distributor can "easily circumvent[]" any copyright liability "[b]y selling the copies abroad—whether to an individual purchaser or even to a separately incorporated distributor." Resp. 23-24. If the distributor makes a sham sale with no economic justification other than to evade copyright liability, the attempted circumvention will fail. *Cf. Krause v. Titleserv, Inc.*, 402

F.3d 119, 124 (2d Cir. 2005) (crediting practical "incidents of ownership" over formal possession of title in determining copyright ownership). If the distributor makes an arm's-length sale abroad to someone who imports into the United States, it is true that the copyright owner would have no copyright claim against the importer (although the copyright owner could certainly structure the contract to prohibit, or at least inhibit, such a sale). But that is not a circumvention; it is a consequence of Congress's decision not to block imports by the downstream merchants once the copyright owner has authorized a sale and pocketed the bargained-for price.

Contrary to Wiley's assertion, addressing rogue distributors is not the "only" (or even "primar[y]") purpose of § 602(a)(1). Resp. 8-9. This Court and Petitioner have mentioned at least three others. *See* OB 43-46. One is *Quality King*'s observation that "the first-sale doctrine would not provide a defense to a § 602(a)[(1)] action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful." 523 U.S. at 146-47 (discussed at OB 44). Wiley concedes "[t]hat is true." Resp. 25. It just muses that "[o]ne might reasonably wonder" whether that happens frequently enough to matter. Resp. 25 (citation, internal quotation marks, and alterations omitted). One does not have to wonder, because *Quality King* held that it happens often enough to matter. 523 U.S. at 146-47. Moreover, Wiley does not dispute that this scenario was one of two reasons Congress gave for editing § 109(a) to the current formulation, "lawfully made under this title." *See* OB 52-53; *supra* at 14. In fact, as discussed above, it was the most serious com-

plaint lodged by moviemakers who routinely found their rented films stolen abroad and sold in the United States.

Similarly, Petitioner supplied numerous examples of copies that would be legal in the place of manufacture, but nevertheless not "lawfully made under this title." *See* OB 45-46. Wiley does not dispute that every one of these is a valid example of a situation where § 602(a)(1) applies. More broadly, § 602(a)(1) plainly addresses the problem of copies pouring out of states with minimal or no copyright protection. *See supra* at 10-11. Wiley argues (at 24) that these are all irrelevant because § 602(b)—which covers copies the making of which "would have constituted an infringement of copyright if this title had been applicable"—independently prohibits their importation. But this Court already rejected that argument, observing that "enforcement of § 602(b) is vested in the Customs Service," whereas § 602(a)(1) "provide[s] the copyright holder with a private remedy against the importer." *Quality King*, 523 U.S. at 146.

In the end, Wiley is left only with a more general argument that this Court's narrowing of § 602(a)(1) is inconsistent with the seemingly "broad language" Congress chose. Resp. 26. But Wiley overlooks how complicated it would be for Congress to draft a statute expressly enumerating every area in which § 602(a)(1) survives the first-sale defense. It took this Court over a thousand words to capture just the three examples it gave. *See Quality King*, 523 U.S. at 146-47. It took Petitioner almost two thousand words between the opening brief and this brief to do

the same. It is perfectly reasonable—indeed, preferable—for Congress to define the reach of § 602(a)(1) by saying it covers everything that § 109(a) does not, rather than anticipating and specifically defining each application.

III. SEVERAL PRESUMPTIONS AND OTHER DEVICES OF STATUTORY CONSTRUCTION SUPPORT THE NONDISCRIMINATORY DEFINITION.

A. Wiley Improperly Rejects Controlling Legislative Presumptions in Favor of a False Portrayal of International Norms and Congressional Acquiescence.

Wiley scarcely acknowledges the presumptions that Congress would not depart from four centuries of common law or change long-standing statutory rights without saying so clearly. OB 49. Wiley merely dismisses them as "nonsense" in light of the putative exhaustion approach of other nations, Resp. 46, and declares that Congress has acquiesced in Wiley's definition, Resp. 35. Wiley is wrong on both accounts.

International norms. Wiley claims that national exhaustion—where a sale in a given country exhausts only that country's copyright—is the norm around the world. As a preliminary matter, there is no reason why other nations' policies should guide this Court's interpretation of a U.S. statute—especially in an area like copyright where the United States has led.

In any event, Wiley's depiction of an international consensus is demonstrably wrong. Again, let us begin with Wiley's "better" pro-foreign definition. Wiley cites not a single nation (and we are aware of none) that gives the owner of a foreign-made good the perpetual power to control all downstream sales. Now *that* is an exhaustion regime that "'not a single country in the world has adopted.'" Resp. 46 (citation omitted).

With regard to exhaustion regimes that countries *have* adopted, the only consensus is that there is no consensus. As the World Intellectual Property Organization observed as recently as 2011, "To what extent countries may decide whether the first sale of an IP protected article in a foreign jurisdiction amounts to a first sale of that IP protected article in its own territory for the purposes of limiting the rights of the owner is a matter that *has not attracted consensus* ...." WIPO, Committee on Development and Intellectual Property, *Interface Between Exhaustion of Intellectual Property Rights and Competition Law*, CDIP/4/4 Rev./Study/INF/2 (June 1, 2011) (emphasis added). Some nations have adopted the policy that Wiley's backup, atextual compromise would yield—a regime of national exhaustion. But Wiley does not dispute that dozens upon dozens of nations have flatly *rejected* it. In New Zealand and Singapore, for example, the default rule is international exhaustion, under which the copyright is exhausted upon the first authorized sale *anywhere*. *See* Burton Ong, *The Interface Between Intellectual Property Law and Competition Law in Singapore*, in *The Interface Between Intellectual Property Rights and Competition Policy* 384-85 (Steven Anderman ed.,

2007): Miranda Forsyth & Warwick Rothnie, *Parallel Imports*, in *The Interface*, *supra*, at 453. And all 30 countries in the European Economic Area (EEA) reject national exhaustion in favor of a model of regional exhaustion within the EEA. Forsyth & Rothnie, *supra*, at 445-47.

Indeed, nearly two decades ago, the nations of the world formally "agreed to disagree" on the subject. Theo Papadopoulos, *The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products*, 2 Ent. L. 40, 53 (2003). In 1994, almost 125 nations met to negotiate the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the auspices of the World Trade Organization. "Despite lengthy negotiations, it proved impossible in the deliberations leading to the TRIPS Agreement ... to reach a global consensus on exhaustion policy." Mattias Ganslandt & Keith Maskus, *Intellectual Property Rights, Parallel Imports and Strategic Behavior*, in *Intellectual Property, Growth and Trade* 269 (Keith Maskus ed., 2008). The resulting international agreement declares: "[N]othing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights." Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, *Marrakesh Agreement Establishing the World Trade Organization*, Annex 1C, art. 6, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

Finally, even if Wiley had shown a current trend in the direction of national exhaustion, it has not even tried to demonstrate any such consensus in 1976. Tellingly, the authorities it cites were all pub-

Contacts (PTY) Ltd., 847 F.2d 1093, 1098 n.1 (3d Cir. 1988). Outside the Ninth Circuit (where *BMG* was not the law), the district courts were split. *See Red Baron-Franklin Park, Inc. v. Taito Corp.*, 1989 Copyright L. Dec. (CCH) ¶ 26,352 (E.D. Va. 1988) (listing and joining courts rejecting that position). Within seven years, *Quality King* unanimously *rejected* the Ninth Circuit's position without ever indicating that the rule would be different for foreign-made copies. Not until 2008 did the Ninth Circuit, in *Costco*, revive its earlier view. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 990 (9th Cir. 2008). That very first departure from *Quality King* led this Court to grant certiorari—and then split 4-4. No member of Congress surveying this judicial roller coaster could have concluded that the courts had articulated a clear and uniform view.

B. Other Constructions Run Afoul of the Presumption That Congress Does Not Intend to Produce Absurd Results.

Petitioner and his amici have presented numerous straightforward applications of Wiley's pro-foreign definition to other fact scenarios—to used books and products, to any product with a printed label, to electronics with software, to movie rentals, etc. OB 56-59; *see* Arbitech Br. 12-19; Entm't Merch. Ass'n Br. 32-34; Powell's Books Br. 8-10; Retail Litig. Ctr. Br. 21-25. Wiley does not dispute that those are, indeed, the direct interpretive consequences of its pro-foreign definition. Resp. 51-52.

Wiley's main response is that "[i]f Kirtsaeng were correct that Wiley's interpretation of Section

109(a) would cause such dire consequences, those consequences would *already* have occurred in response to 30 years of judicial decisions." *Id.* In light of the judicial roller coaster discussed above, *see supra* at 23-24, there was never *any* 30-year "consensus," as Wiley asserts, Resp. 51. More to the point, not a single court had ever suggested the pro-foreign definition that, as Wiley acknowledges, causes most of the mischief. Resp. 35-36. If this Court embraces either reading as the law of the land—but especially if it embraces the pro-foreign definition—these consequences will follow as night follows day.

Wiley makes the same mistake in noting that Petitioner has presented no "example of a copyright holder locating its manufacturing operations overseas in an attempt to impose restrictions on resale in the domestic market." Resp. 52. But it compounds the mistake by ignoring practical reality. Anyone who reads the newspapers knows that manufacturers *are* shipping jobs overseas—sometimes by building facilities, usually by shifting their business to foreign manufacturers, without incurring the "substantial costs of building manufacturing facilities" abroad. Resp. 52. There are already innumerable reasons for them to do so. For many copyright owners, an unprecedented weapon that destroys secondary markets will tip the scales. But only the dumbest of copyright owners would declare, "We hired the overseas manufacturer to avail ourselves of the manufacturer's Holy Grail." The evidence Wiley demands will never materialize until the harm is done.

CONCLUSION

For these reasons, this Court should reverse the judgment of the court of appeals.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 11-697

In the Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER

v.

JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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QUESTION PRESENTED

Section 602(a)(1) of Title 17 generally prohibits the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." Section 109(a) of Title 17 provides, however, that "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." In *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135 (1998), this Court held that, where Section 109(a) applies, it provides an exception to the general ban on the unauthorized importation into the United States of copies of copyrighted works. The question presented in this case is as follows:

Whether a copy made outside the United States by a subsidiary of the United States copyright owner is "lawfully made under this title [*i.e.*, Title 17]" and is therefore covered by Section 109(a)'s exception to the general ban on unauthorized importation.

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In the Supreme Court of the United States

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER

v.

JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

INTEREST OF THE UNITED STATES

The question presented in this case concerns the circumstances under which copies of a copyrighted work may be imported into this country and subsequently distributed in the United States without the authorization of the United States copyright owner. The United States Copyright Office, which administers the Copyright Act, see 17 U.S.C. 701, and which contributed significantly to Congress's drafting of the relevant provisions of the Copyright Act of 1976 (Copyright Act), 17 U.S.C. 101 *et seq.*, has a substantial interest in the resolution of that question. This case also implicates questions of concern to other federal agencies charged with administering federal laws governing intellectual property and importation of goods. The United States

therefore has a substantial interest in the Court's resolution of this case.

STATEMENT

1. Section 106 of Title 17 provides that, "[s]ubject to sections 107 through 122," a copyright owner "has the exclusive rights to do and to authorize" various enumerated activities, including "to distribute copies or phonorecords of the copyrighted work to the public." 17 U.S.C. 106(3). Section 602(a)(1) provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies * * * of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies" granted by Section 106(3). 17 U.S.C. 602(a)(1).[1] And Section 109(a) states that, "[n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. 109(a).

The "first sale doctrine" was initially recognized by this Court in *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908). The Court held that the copyright owner's exclusive right to "vend" a copyrighted book did not encompass the right to restrict the resale of that book

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[1] In October 2008, Congress amended Section 602 of the Copyright Act and added a separate private cause of action against importers and exporters of certain copyrighted material. See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259. The ban on unauthorized importation specifically at issue in this case, which was formerly codified at 17 U.S.C. 602(a), was redesignated as Section 602(a)(1). All citations in this brief are to the amended version of the statute.

after ownership had been transferred. *Id.* at 349-351; see *Quality King Distribs., Inc.* v. *L'anza Research Int'l, Inc.*, 523 U.S. 135, 140-141 (1998) (*Quality King*) (discussing *Bobbs-Merrill*). In *Quality King*, this Court held that Section 109(a) establishes an exception to Section 602(a)(1)'s general ban on unauthorized importation. See *id.* at 143-152. Because the imported copies at issue in *Quality King* were manufactured in the United States by the copyright owner, see *id.* at 138-139, the case did not present the question whether copies produced outside this country could be "lawfully made under this title" within the meaning of Section 109(a). See *id.* at 154 (Ginsburg, J., concurring).

2. Respondent publishes academic textbooks for sale in domestic and international markets. The textbook authors generally assign to respondent their reproduction and distribution rights under both United States and foreign copyrights. Respondent then assigns its rights under the foreign copyrights to a foreign corporate subsidiary and retains its rights under the U.S. copyright. Pet. App. 5a & n.6, 45a, 47a-48a & n.3; J.A. 33.

Pursuant to that arrangement, the foreign subsidiary printed and published "foreign editions" of the textbooks for sale in certain international markets. Pet. App. 5a, 47a. Markings on the foreign editions indicate that they were "printed in Asia," and the books' back covers state that they are authorized for sale only in specified regions outside the United States. *Id.* at 46a (citation omitted). The foreign editions caution that "[e]xportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights." *Ibid.* (citation omitted).

Petitioner was a student in the United States. Pet. App. 6a. At petitioner's request, friends and family in Thailand shipped him more than 600 copies of eight different books, which he sold for a profit on commercial websites. See *id.* at 6a-7a, 48a-49a; J.A. 29, 34, 80, 201. The books contained the markings and notices described above. See J.A. 118-133, 178-188.

3. Respondent brought this suit for copyright infringement under 17 U.S.C. 106(3) and 602(a)(1). Pet. App. 7a, 49a-50a; J.A. 204-211. Petitioner invoked 17 U.S.C. 109(a) as a defense, but the district court concluded that Section 109(a) was inapplicable. Pet. App. 57a-73a. The court held that, because the textbooks appeared "to have been published outside of the United States," the books "could not have been manufactured 'under' Title 17." *Id.* at 73a. The jury found petitioner liable for willful copyright infringement. *Id.* at 12a.

4. The court of appeals affirmed. Pet. App. 1a-43a. As relevant here, the court held that Section 109(a) does not apply to copies manufactured outside the United States. *Id.* at 13a-28a. The court explained that Section 602(a)(1) was "obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item." *Id.* at 24a-25a. The court further explained that this Court in *Quality King* had distinguished between copies lawfully made under Title 17 and copies lawfully made under foreign law. *Id.* at 26a-27a & n.42. The court concluded that "the phrase 'lawfully made under this Title' in [Section] 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." *Id.* at 27a-28a. Judge Murtha dissented. *Id.* at 34a-43a.

SUMMARY OF ARGUMENT

1. In the Copyright Act of 1976, Congress enacted Section 602(a)(1), which broadened protections against unauthorized importation of copyrighted works to encompass copies that are lawfully made. That provision was intended to facilitate market-segmentation measures of the sort at issue in this case. To ensure that Section 602(a)(1) retains meaningful operative force, the phrase "lawfully made under this title" in Section 109(a) should be construed to mean "made subject to and in compliance with Title 17." Because Title 17 does not apply extraterritorially, a copy manufactured abroad is not made subject to Title 17 and therefore is not covered by Section 109(a).

2. Petitioner argues that Section 109(a) encompasses any copy made "in accordance with the Copyright Act," Br. 24, even if United States law does not govern its creation. That proposed construction of Section 109(a) would render Section 602(a)(1)'s importation ban essentially superfluous, and it ignores the *Quality King* Court's careful distinction between copies lawfully made under Title 17 and copies lawfully made under foreign law.

3. Petitioner argues that the application of Section 109(a) cannot turn on the place of manufacture because the phrase "lawfully made under this title" is used in other Title 17 provisions where it cannot reasonably be read to exclude foreign-made copies. But the principle that the same words should ordinarily be given the same meaning in different provisions of a given statute is simply an interpretive guide, not an inflexible command. In any event, the other Title 17 provisions would not be rendered absurd if they were read as limited to copies made in the United States.

4. Petitioner's observation that Section 109(a) narrows Section 602(a)(1)'s ban on unauthorized importation is not a new argument. That was the Court's holding in *Quality King*, and it fails to resolve the critical question of when Section 109(a) applies. And while Section 104 clarifies that works first published abroad are protected from unauthorized reproduction or sale within the United States, it has no bearing on the question presented here.

5. Petitioner's policy arguments provide no sound basis for adopting his reading of Section 109(a). Some of the impacts that petitioner identifies are an unavoidable consequence of Congress's decision in 1976 to expand the Copyright Act's ban on unauthorized importation beyond piratical copies. And, contrary to petitioner's contention, the court of appeals' construction of Section 109(a) would not allow copyright owners to exercise "eternal control" (Br. 4) over the downstream distribution of foreign-made goods.

ARGUMENT

SECTION 109(a) DOES NOT ENCOMPASS COPIES MADE OUTSIDE THE UNITED STATES

The question presented in this case requires interpretation of the phrase "lawfully made under this title" in 17 U.S.C. 109(a). Under the proper construction of that language, a copy is "made under" Title 17 if it is "made subject to" Title 17—*i.e.*, if Title 17 governs the copy's creation. Because the Copyright Act does not apply outside the United States, foreign-made copies are not "made under" Title 17. A copy is "*lawfully* made under this title" if Title 17 governs the copy's creation *and* the copy is made in compliance with Title 17's requirements.

The phrase "lawfully made under this title" is therefore best understood to mean "made subject to and in compliance with Title 17." That interpretation reflects the most natural reading of the statutory text; it gives content to this Court's distinction between copies "lawfully made under this title" and copies made "under the law of some other country," *Quality King Distribs., Inc.* v. *L'anza Research Int'l, Inc.*, 523 U.S. 135, 147 (1998); and it preserves Congress's effort to protect United States copyright owners against unauthorized importation of copyrighted works, see 17 U.S.C. 602(a)(1).

A. To Effectuate Congress's Purpose In Enacting Section 602(a)(1), The Phrase "Lawfully Made Under This Title" In Section 109(a) Is Best Understood To Mean "Made Subject To And In Compliance With Title 17"

1. Section 602(a)(1) represented a significant departure from Congress's prior treatment of imported works. The Copyright Act of 1909, as codified in 1947, directed the Customs Service to block the importation only of "piratical copies of any work copyrighted in the United States." Act of Mar. 4, 1909 (Copyright Act of 1909), ch. 320, § 30, 35 Stat. 1082; Act of July 30, 1947, ch. 391, § 106, 61 Stat. 663. Until the Copyright Act of 1976, the copyright laws did not constrain "gray-market" imports—lawfully made copies intended for distribution in foreign countries but imported into the United States without the authorization of the copyright owner. Cf. *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281, 285 (1988) (discussing gray-market trademarked goods).

When the copyright revision process commenced in 1961, the Register of Copyrights received an industry proposal to expand the Copyright Act's importation restrictions. See Staff of House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law Revision: Report*

of the Register of Copyrights on the General Revision of the U.S. Copyright Law 125-126 (Comm. Print 1961). The proposal focused on agreements "to divide international markets," whereby a "foreign publisher agrees not to sell his [foreign] edition in the United States, and the U.S. publisher agrees not to sell his [United States] edition in certain foreign countries." *Id.* at 125. The general concern expressed was that foreign publishers bound by market-allocation agreements were lawfully reproducing and selling copies abroad, but that third-party wholesalers and jobbers, not bound by the agreements, were then importing the foreign-made copies into the United States. See Staff of House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 212-214, 232, 275 (Comm. Print 1963) (*Copyright Law Revision Pt. 2*); Staff of House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 209, 260 (Comm. Print 1964) (*Copyright Law Revision Pt. 4*).

The Copyright Office ultimately endorsed legislation that would expand the importation restrictions to encompass "foreign copies that were made under proper authority." See *Copyright Law Revision Pt. 4*, at 203. The Register explained that the provision would bar importation if, "for example, * * * the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." Staff of House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of*

the U.S. Copyright Law 150 (Comm. Print 1965). The House and Senate reports accompanying the Copyright Act of 1976 discuss the expanded importation restrictions in the same terms. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 169 (1976) (*1976 House Report*) ("Section 602 * * * deals with * * * unauthorized importation of copies * * * that w[er]e lawfully made."); S. Rep. No. 473, 94th Cong., 2d Sess. 151 (1976) (*1976 Senate Report*) ("unauthorized importation is an infringement merely if the copies or phonorecords 'have been acquired abroad'").

2. In *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908), this Court held that a copyright owner's exclusive right to "vend" a copyrighted book did not encompass the right to restrict the terms on which lawful purchasers could resell the books. *Id.* at 349-351; see *Quality King*, 523 U.S. at 140-141 & n.5. The following year, Congress confirmed that principle (often referred to as the "first sale doctrine" or copyright "exhaustion") by providing that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." Copyright Act of 1909, § 41, 35 Stat. 1084. That provision was added to "make it clear that there is no intention to enlarge in any way the construction to be given to the word 'vend' in the first section of the bill." H.R. Rep. No. 2222, 60th Cong., 2d Sess. 19 (1909) (*1909 House Report*). In 1976, at the same time Congress adopted the expanded importation restrictions in Section 602(a)(1), it enacted Section 109(a) in its current form. 17 U.S.C. 109(a). The legislative reports confirm in general terms Congress's intent to retain the first sale principle recognized in *Bobbs-Merrill*. See, *e.g.*, *1976 Senate Report* 71; *1976 House Report* 79.

3. The labels at issue in *Quality King* were manufactured in the United States, see 523 U.S. at 139; *id.* at 154 (Ginsburg, J., concurring), and the copyright owner (L'anza) did not dispute that they were "lawfully made under this title" within the meaning of Section 109(a), see *id.* at 143. Rather, L'anza argued that Section 602(a)(1)'s ban on unauthorized importation of copyrighted materials is not subject to Section 109(a). See *id.* at 143, 145. The Court rejected that contention. See *id.* at 144-145. Because the relevant copies were made within the United States, the Court had no occasion squarely to decide the issue presented here—*i.e.*, whether Section 109(a) encompasses copies made outside this country.

The Court's opinion in *Quality King* does, however, provide significant guidance as to the proper resolution of that issue. L'anza (supported by the United States as amicus curiae) argued that applying Section 109(a) to unauthorized imports would thwart Congress's intent in enacting Section 602(a)(1). See 523 U.S. at 145, 146 & n.17. In rejecting that contention, the Court explained that Section 602(a)(1) sweeps more broadly than Section 109(a) because, *inter alia*, Section 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.* at 147; see *id.* at 148.[2]

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[2] Aside from Section 602(a)(1)'s application to copies lawfully made under foreign law, the Court in *Quality King* identified two additional functions that Section 602(a)(1) could serve notwithstanding Section 109(a). First, the Court observed that "even if [Section] 602(a) did apply only to piratical copies, it at least would provide the copyright holder with a private remedy against the importer, where-

In elaborating on that point, the Court discussed "one example" that was noted in the deliberations leading up to the 1976 Act. See *Quality King*, 523 U.S. at 147. The Court explained that "[e]ven in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies." *Id.* at 148. The Court observed that "[i]f the author of the work gave the exclusive United States distribution rights * * * to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition," then "presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of [Section] 109(a)." *Ibid.*

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as the enforcement of [Section] 602(b) is vested in the Customs Service." 523 U.S. at 146. In 2008, however, Congress enacted 17 U.S.C. 602(a)(2), which establishes a private civil action against unauthorized importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable." If Section 602(a)(1) were limited to the same class of copies described in Section 602(a)(2), the existence of a private right of action for violations of Section 602(a)(1) would no longer add anything of substance to the protections afforded copyright owners by neighboring Copyright Act provisions. Second, the Court noted that Section 109(a) would not bar a suit under Section 602(a)(1) "against any nonowner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful." *Quality King*, 523 U.S. at 146-147 & n.19. The broad statutory text and a fair reading of the legislative history make clear, however, that this was not Congress's principal concern. See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B][6][c] at 8-184.31 n.432 (Matthew Bender rev. ed. 2012) (suggesting that the number of importation cases involving consignees and the like is likely to be extremely small).

The Court did not further explain its conclusion that copies made with the author's consent by the "publisher of the British edition" would not be "lawfully made under this title" for purposes of Section 109(a). *Quality King*, 523 U.S. at 148. It is well established, however, that the Copyright Act does not apply outside the United States. See *United Dictionary Co.* v. *G. & C. Merriam Co.*, 208 U.S. 260, 264-265 (1908); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 17.02, at 17-18 (Matthew Bender rev. ed. 2012) (*Nimmer on Copyright*). In light of that settled background understanding, the most natural explanation of this Court's discussion is that copies made by the "publisher of the British edition" would not be "lawfully made under" Title 17 because they would be produced in a place where Title 17 does not apply.

That inference is strongly supported by the Court's assumption in *Quality King* that a particular copy may be made *either* "under" Title 17 *or* "under" the law of another country, but not "under" both. The Court stated, for example, that Section 602(a)(1) "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U.S. at 147. If the phrase "lawfully made under" means "made subject to and in compliance with" a particular body of law, the Court's "either-or" approach makes perfect sense: the legality of a copy's creation depends only on the law of the place where the copy is made. But if (as petitioner contends) the phrase "lawfully made under" means made in a manner consistent with the substantive requirements of the relevant law, regardless of the place of manufacture, that approach would be unfounded, since the creation of a

particular copy could easily comply with the substantive requirements imposed by many different countries.[3]

B. Petitioner's Alternative Construction Of Section 109(a) Is Not Persuasive

1. Petitioner argues that Section 109(a) encompasses any copy made "in accordance with the Copyright Act," Br. 24, such as a copy made with the United States copyright holder's authorization, even if United States law does not govern the copy's creation. In *Quality King*, the United States as amicus curiae advocated essentially that reading, arguing that the application of Section 109(a) does not turn on the place of manufacture, see Gov't Br. at 29-30, *Quality King*, *supra* (No. 96-1470), but that Section 109(a) instead encompasses "any copy made with the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17," *id.* at 30 n.18 (citation omitted).

In light of this Court's decision in *Quality King*, however, that construction of Section 109(a) is no longer tenable. As explained above, the Court in *Quality King*

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[3] The leading commentators on copyright law have understood *Quality King* in the same manner as the United States. See 2 *Nimmer on Copyright* § 8.12[B][6][c] at 8-134.34 to 8-134.35 (discussing *Quality King* and concluding that the Copyright Act "should still be interpreted to bar the importation of gray market goods that have been manufactured abroad") (footnote omitted); 4 William F. Patry, *Patry on Copyright* § 13:44, at 13-98 (2012) (The Copyright Act "bars only the importation of copies that were acquired outside the United States and that were not 'lawfully made under this title,' i.e., were not made in the United States."); 2 Paul Goldstein, *Goldstein on Copyright* § 7.6.1, at 7:144 (3d ed. Supp. 2012) (concluding that, under *Quality King*, "the first sale defense is unavailable to importers who acquire ownership of gray market goods made abroad").

drew a sharp distinction between copies "made under" Title 17 and copies "made under" foreign law, and it assumed that any particular copy would be "made under" only one legal regime. That analysis makes sense only if the phrase "made under this title" refers to copies whose creation is *governed* by Title 17—*i.e.*, copies made in the United States.

In addition, because the construction of an ambiguous statutory provision may depend in part upon the larger statutory context, the *Quality King* Court's holding that Section 109(a) limits Section 602(a)(1) bears directly on the proper reading of Section 109(a) itself. If the Court in *Quality King* had agreed with L'anza and the United States, and had held that Section 109(a) does not limit a copyright owner's authority to restrict importation of copyrighted goods (see p. 10, *supra*), petitioner's expansive reading of Section 109(a) could be adopted without subverting Section 602(a)(1)'s ban on unauthorized importation. But given the Court's holding that Section 109(a) (where it applies) provides an exception to Section 602(a)(1), see 523 U.S. at 145-152, construing Section 109(a) in the manner petitioner advocates would largely negate Congress's decision to extend the importation ban beyond piratical copies. Settled principles of statutory construction counsel that such a reading should be rejected, and that the Copyright Act should be construed to give effect to all of its provisions. See, *e.g.*, *United States ex rel. Eisenstein* v. *City of New York*, 556 U.S. 928, 933 (2009).

2. Petitioner acknowledges this Court's conclusion in *Quality King* that "[t]he first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under [Section] 602(a)." Br. 41 (quoting 523 U.S.

at 148) (brackets in original). Petitioner also recognizes that Section 602(a)(1) was "obviously intended to allow copyright holders some flexibility to divide . . . international and domestic markets for the particular copyrighted item." Br. 43 (quoting Pet. App. 24a-25a). In petitioner's view, however, his own circumstances are different because his friends and relatives in Thailand, unlike the hypothetical foreign publisher in *Quality King*, purchased the books before importing them into the United States. Petitioner argues that it is the absence of any authorized first sale, not the location of manufacture, that prevents the hypothetical foreign publisher from invoking Section 109(a)'s protections. See Br. 41, 43. That is wrong for three basic reasons.

First, petitioner's argument has no grounding in the statutory text. Although Section 109(a) is often described as a codification of the first sale doctrine, the provision is not triggered by an actual "sale." Rather, Section 109(a) provides that the "owner" of a copy "lawfully made under this title * * * is entitled * * * to sell or otherwise dispose of" that copy without the authority of the copyright owner. 17 U.S.C. 109(a); see *Bourne* v. *Walt Disney Co.*, 68 F.3d 621, 632 (2d Cir. 1995), cert. denied, 517 U.S. 1240 (1996). In the *Quality King* hypothetical, the authorized publisher of the British edition presumably would be the "owner" of the copies at the time they are made. If petitioner's construction of the phrase "lawfully made under this title" were correct, the publisher could legally import the copies into the United States without the copyright holder's authorization, notwithstanding this Court's statement that Section 602(a)(1) would prevent that

result. See 2 *Nimmer on Copyright* § 8.12 [B][3][c] at 8-184.15.[4]

Second, the Court in *Quality King* did not draw the distinction petitioner advocates. In concluding that Section 109(a) would not provide the British publisher a defense to infringement if it distributed the British edition in the United States, the Court ascribed no significance to the presence (or absence) of a first sale. Instead, the Court explained that Section 109(a) would be inapplicable because the relevant copies would not be "'lawfully made under this title' within the meaning of [Section] 109(a)." 523 U.S. at 148; see *id.* at 147.

Third, the practical effect of petitioner's approach, under which Section 602(a)(1) would restrict importation by the publisher of the British edition but not by persons to whom the publisher sells those books overseas, would be to render Section 602(a)(1) inapplicable precisely where it is most valuable to copyright holders. Contrary to petitioner's suggestion (Br. 44), "rogue" publishers who violate territorial restrictions were not the principal source of congressional concern, since unauthorized importation by the publisher itself could typically be addressed through contractual remedies. Rather, the "troublesome problem" discussed in the legislative history and relied on by this Court in *Quality King* (523 U.S. at 148 & n.20) was that the territorial

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[4] As petitioner observes (Br. 53), Section 109(a) in its current form was intended in part to encompass copies lawfully made pursuant to the compulsory-licensing provisions of Section 115. The language of Section 109(a) accomplishes that result, since a person who makes copies pursuant to a compulsory license is the "owner" of those copies. Such a person would fall outside Section 109(a), however, if a "first sale" requirement were engrafted onto the provision.

restrictions could not effectively be enforced against persons to whom the publishers sold books:

> A grant is made to a U.S. publisher by a foreign publisher of the exclusive right to publish a book in the United States. In contravention of that agreement the book suddenly turns up for sale in substantial quantities at one or more places in the United States. The U.S. publisher says to the foreign publisher, "How come?" And the foreign publisher says, "So sorry. This sale has been made by one of several jobbers but we don't know which."

Copyright Law Revision Pt. 4, at 209; see *id.* at 260; *Copyright Law Revision Pt. 2*, at 213. A copyright remedy was viewed as important precisely because, unlike the foreign publisher with whom the U.S. copyright owner was in privity, downstream distributors were not subject to contractual remedies.

3. Petitioner explains (Br. 45-46) that his construction of Section 109(a) would exclude copies made abroad in accordance with provisions of foreign law that have no U.S. analogues. Petitioner views those situations as examples of copies that are not "lawfully made under this title" (since their creation would violate Title 17 if the copies were made in the United States) but that are lawfully made "under the law of some other country." Br. 45 (quoting *Quality King*, 523 U.S. at 147). Petitioner suggests that those potential fact patterns ensure that Section 109(a) does not render Section 602(a)(1) ineffective.

Petitioner's argument ignores the statutory context in which Sections 109(a) and 602(a)(1) appear. Section 602(b), which was enacted contemporaneously with Section 109(a) in 1976, prohibits the importation of copies that "would have constituted an infringement of

copyright if this title had been applicable." 17 U.S.C. 602(b). And in 2008, Congress amended Section 602(a) to define as an act of infringement the importation of copies "the making of which * * * would have constituted an infringement of copyright if this title had been applicable." 17 U.S.C. 602(a)(2); see notes 1, 2, *supra*. Under petitioner's proposed interpretation of the phrase "lawfully made under this title," the application of Section 109(a) will turn on the same counterfactual inquiry (whether the making of the relevant copies would have been lawful if it had occurred in the United States) that Congress expressly mandated in Section 602(a)(2) and (b). Congress could have used similar language in Section 109(a) itself if it had intended that result. And Section 602(a)(1) will do no meaningful work if it restricts the importation only of copies that are separately covered by neighboring Copyright Act provisions.

C. Other Copyright Act Provisions Are Consistent With The Conclusion That Section 109(a) Does Not Cover Foreign-Made Copies

1. The phrase "lawfully made under this title" is most naturally read to refer to copies made subject to and in compliance with Title 17. See *American Heritage Dictionary of the English Language* 1395 (new coll. ed. 1976) (defining "under" as "[s]ubject to the authority * * * of"). In *Ardestani* v. *I.N.S.*, 502 U.S. 129 (1991), the Court construed a provision of the Equal Access to Justice Act (EAJA), Pub. L. No. 96-481, Tit. II, 94 Stat. 2325, that authorized fee awards for agency "adjudication[s] under section 554 of" Title 5. See 502 U.S. at 132. The Court held that the provision did not authorize fee-shifting in deportation proceedings because Section 554 does not apply to immigration proceedings. See *id.*

at 132-138. The Court explained that "the most natural reading of the EAJA's applicability to adjudications 'under section 554' is that those proceedings must be 'subject to' or 'governed by' § 554." *Id.* at 135. To be sure, because "[t]he word 'under' is chameleon" with "many dictionary definitions," it "must draw its meaning from its context." *Kucana* v. *Holder*, 130 S. Ct. 827, 835 (2010) (internal quotation marks and citation omitted). For the reasons set forth above, Section 109(a)'s role within the overall statutory scheme, and (in particular) its relationship to Section 602(a)(1), confirm that "lawfully made under this title" should be read as "made subject to and in compliance with Title 17."

2. Petitioner observes (Br. 33-37) that the words "lawfully made under this title" appear in five other Copyright Act provisions. Petitioner contends that the phrase must be given the same meaning in every Title 17 provision where it appears, and that reading the other provisions to exclude foreign-made copies would produce absurd results. Those arguments lack merit.

a. Although "there is a natural presumption that identical words used in different parts of the same act are intended to have the same meaning," that "presumption is not rigid and readily yields whenever there is such variation in the connection in which the words are used as reasonably to warrant the conclusion that they were employed in different parts of the act with different intent." *Atlantic Cleaners & Dyers, Inc.* v. *United States*, 286 U.S. 427, 433 (1932) (citation omitted); see *Barber* v. *Thomas*, 130 S. Ct. 2499, 2506 (2010) (interpreting "term of imprisonment" to mean different things in same statute). Section 109(a)'s place within the overall statutory scheme strongly indicates that it does not cover foreign-made copies. If (as petitioner con-

tends) analogous contextual clues made it apparent that other provisions of Title 17 *do* cover such copies, it would be perfectly appropriate to give the phrase "lawfully made under this title" different meanings in different Title 17 provisions.

b. In any event, it would not be illogical to interpret the cited provisions to apply only to U.S.-made copies.

i. Under the Audio Home Recording Act of 1992 (AHRA), 17 U.S.C. 1001 *et seq.*, persons who distribute blank digital audio recording media within the United States must pay royalties into a fund managed by the Register of Copyrights. See 17 U.S.C. 1003, 1004(b). The proceeds are then paid to recording artists and composers whose works were embodied in musical recordings that were "lawfully made under this title" and distributed within the United States during the relevant period. 17 U.S.C. 1006(a)(1)(A). The rationale for the royalty program is that, because blank recording media are often used by consumers to record copyrighted music, persons whose works may be copied should receive compensation from those who distribute the recording media. See S. Rep. No. 294, 102d Cong., 2d Sess. 30 (1992).

Petitioner argues (Br. 35-36) that, if the phrase "lawfully made under this title" in Section 1006(a)(1)(A) is limited to recordings made within the United States, the provision will conflict with Section 1004(b), which encompasses recording media manufactured abroad and imported into the United States. That is a non sequitur. Section 1004(b) deals with blank audio recording *media* (*e.g.*, a blank cassette), see 17 U.S.C. 1001(4) (definition of "digital audio recording medium"), and defines the obligations of persons who must pay royalties *into* the fund; Section 1006 deals with finished musical *record-*

ings and identifies the persons who may *receive* payments. There would be nothing absurd or illogical in requiring royalties to be paid into the fund on all blank recording media distributed within the United States, including media manufactured abroad, while paying benefits only to artists and composers whose works were embodied in recordings made in the United States.

ii. Section 109(c) provides "the owner of a particular copy lawfully made under this title" with the right "to display that copy publicly." 17 U.S.C. 109(c). Limiting that provision to U.S.-made copies would not, as petitioner suggests (Br. 34), mean that foreign-made copies could not lawfully be displayed within this country. Foreign-made copies could still be publicly displayed independent of Section 109(c) with the explicit or implicit authorization of the copyright owner. For example, the sale of an original work of art to a United States museum may often carry with it an implied, nonexclusive license to publicly display that copy. See 3 *Nimmer on Copyright* § 10.03[A][7] at 10-53 ("[N]onexclusive licenses may * * * be implied from conduct."). Certain exhibitions incorporating foreign works could be considered fair use. 17 U.S.C. 107. And many older works created outside the United States are already in the public domain and can be freely displayed, sold, and lent. 17 U.S.C. 104A, 301-305.

iii. Section 109(e), which was in effect from 1990 to 1995, authorized the owner of a copy of an arcade game "lawfully made under this title * * * to publicly perform or display that game in coin-operated equipment." See Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, §§ 803, 804(c), 104 Stat. 5135, 5136. As petitioner explains (Br. 36-37), that provision was intended to overrule the Fourth Circuit's decision in

Red Baron–Franklin Park, Inc. v. *Taito Corp.*, 883 F.2d 275 (1989) (*Red Baron*), cert. denied, 493 U.S. 1058 (1990), which held that a U.S. purchaser of video-game circuit boards could not install the game at its arcades for play by the public. Section 109(e) was enacted to remedy "an anomaly in existing copyright law that prevents certain coin-operated equipment from being used for their intended purpose." H.R. Rep. No. 735, 101st Cong., 2d Sess. 9 (1990) (*1990 House Report*).

Although the circuit boards at issue in *Red Baron* were made in Japan, that fact had nothing to do with the anomaly at which Section 109(e) was directed. The video-game manufacturer did not contest Section 109(a)'s application to the foreign-made copies on appeal, *Red Baron*, 883 F.3d at 278, and the House Report noted that concession, *1990 House Report* 9. The problem Section 109(e) was intended to address—*i.e.*, that an arcade-game operator who had lawfully purchased circuit boards could not use them for their only intended purpose—could equally have arisen in a case involving circuit boards manufactured within the United States. Cf. *Hearing on Computer Software Rental Amendments Act Before the House Subcomm. on Courts, Intellectual Property, and the Admin. of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 228 (1990) (letter from the Register of Copyrights suggesting that court of appeals should have resolved the anomaly by finding an implicit license where the only intended use entailed public performance).

iv. Section 110 of Title 17 exempts certain educational activities from copyright infringement liability but provides that, for motion pictures and other audiovisual works and phonorecords, no exemption shall apply to a copy "not lawfully made under this title" if the instruc-

tor "knew or had reason to believe [it] was not lawfully made." 17 U.S.C. 110(1). Petitioner argues (Br. 34-35) that, if the phrase "made under this title" is limited to copies created in the United States, the result would be "absurd." But it would not be irrational to limit the safe harbor to copies made in the United States. Cf. 17 U.S.C. 602(a)(3)(A) (expressly excluding schools from government exception to general ban on unauthorized importation). And Section 110(1)'s scienter requirement reduces the danger of over-expansive liability.

3. Petitioner also contends (Br. 27-29, 36) that, if Congress had intended the application of Section 109(a) to depend on the location of manufacture, it would have expressed that intent directly, as it did in other provisions of Title 17 and the U.S. Code. Under the government's interpretation, however, the phrase "lawfully made under this title" is not precisely synonymous with "lawfully made in the United States." A copy made in the United States in compliance with Title 17, but in a manner violative of some other statutory or contractual requirement, would be encompassed by the first formulation but not by the second; and there is no sound reason that the resale or other disposition of such a copy should be treated as an act of infringement. By using the phrase "lawfully made under this title" (rather than "lawfully made in the United States"), Congress ensured that Section 109(a) would cover all copies made subject to and in compliance with Title 17, even if their creation violated some other law. In any event, if (as petitioner contends) Congress had intended Section 109(a)'s coverage to turn on whether a copy's creation would have complied with Title 17 *if* Title 17 applied, it could have used the same counterfactual formulation that it used in Section 602(a)(2) and (b). See pp. 17-18, *supra*.

D. Petitioner's "New" Arguments Lack Merit

Petitioner makes additional arguments that, he contends, were neither raised nor considered in *Costco Wholesale Corp.* v. *Omega, S.A.*, 131 S. Ct. 565 (2010) (*Costco*), where the Court divided 4-4 on the question presented here. Those arguments lack merit.

1. Petitioner observes (Br. 21-22) that, because Section 602(a)(1) defines unauthorized importation as an infringement of the copyright owner's exclusive distribution right under Section 106, Section 602(a)(1) is subject to the various exceptions to which the distribution right is generally subject. That observation is not new; it is this Court's holding in *Quality King*. In *Costco*, the parties and the government agreed that, where Section 109(a) applies, it supersedes the Section 602(a)(1) ban on unauthorized importation. As in this case, the subject of disagreement was whether Section 109(a) encompasses foreign-made copies.

2. Petitioner is likewise wrong in suggesting (Br. 19-23) that, if the court of appeals' judgment is affirmed, the other exceptions to the exclusive distribution right (see 17 U.S.C. 107-122) will be categorically inapplicable to foreign-made copies. This Court's decision may affect the application of the few other provisions that contain the phrase "lawfully made under this title." See pp. 20-23, *supra*. But the great majority of the provisions within Sections 107-122 do not contain that language and will continue to apply to foreign-made copies within the United States.

3. Petitioner's reliance (Br. 29-32) on 17 U.S.C. 104 is also misplaced. Section 104 clarifies that the unauthorized reproduction or distribution of a copyrighted work may violate Title 17 even if the work was created or first published abroad. Although Sections 104 and 109(a)

both contain the phrase "under this title," the provisions are otherwise dissimilar. Section 109(a) refers to *copies* "lawfully *made* under this title," while Section 104 identifies which *works* "are subject to *protection* under this title." 17 U.S.C. 104(a) and (b) (emphasis added).

Petitioner construes the phrase "lawfully made under this title" in Section 109(a) to encompass foreign-made copies whose creation would comply with Title 17 if U.S. law applied. Section 104 does not support that argument even by analogy, since Section 104 does not use the phrase "protection under this title" to refer either to protection abroad or to the hypothetical application of U.S. law. Rather, the "protection under this title" that Section 104 confers is protection from infringing conduct *within the United States*, where the Copyright Act applies, pursuant to the substantive provisions of the Copyright Act itself.

E. Petitioner's Policy Arguments Do Not Support His Reading Of Section 109(a)

Petitioner and his amici contend that the court of appeals' decision will mark the end of secondary markets, turn downstream consumers into unwitting copyright infringers, and encourage companies to move manufacturing overseas. Those concerns provide no sound reason to adopt petitioner's proposed construction of Section 109(a).

1. Some of the potential policy effects petitioner identifies are an inherent consequence of Congress's decision in 1976 to expand the ban on unauthorized importation beyond piratical copies. Petitioner and his amici argue that the court of appeals' interpretation will impede secondary markets. *E.g.*, Br. 57-58. Section 602(a)(1), however, reflects Congress's determination that the benefits of allowing international market seg-

mentation in copyrighted goods outweigh those disadvantages. See pp. 7-9, *supra*.

This case exemplifies one potential benefit of allowing such market segmentation. Book publishers, like respondent, often offer cheaper editions of their works in other (particularly less-developed) countries to consumers who might otherwise be unable to afford them. See Knowledge Ecology Int'l Amicus Br. 3, 18-19. Publishers' willingness to continue that practice might be reduced if the foreign editions could be imported into this country and resold in competition with the publisher's U.S. editions. Petitioner notes (Br. 4, 57-58) that the court of appeals' holding would apply equally to ordinary consumer products, such as the watches at issue in *Costco*, to which copyrighted material is gratuitously affixed. But the application of Section 602(a)(1) to such goods raises distinct policy concerns that are best addressed under legal theories, such as the doctrine of copyright misuse, that are specifically targeted at that alleged abuse. See *Omega S.A.* v. *Costco Wholesale Corp.*, No. 04-05443, 2011 WL 8492716 (C.D. Cal. Nov. 9, 2011).

2. Petitioner argues that, if Section 109(a) does not apply to copies made outside the United States, a copyright owner could exercise "eternal" downstream control over the manner in which the copies are resold. Br. 3-4, 57-58. Petitioner identifies no instance in which a copyright owner has actually sought to exercise such control, even though the Second Circuit's decision in this case was consistent with the prevailing understanding that Section 109(a) does not encompass foreign-made goods. In any event, petitioner's argument reflects a misunderstanding of Section 109(a)'s place in the overall statutory scheme.

a. Petitioner's argument assumes that, if Section 109(a) is inapplicable, a copyright owner could make copies abroad, import them into the United States and sell them subject to onerous restrictions on resale, and then obtain copyright remedies from buyers who disregard those restrictions. Petitioner's hypothetical plaintiff presumably would contend that the unauthorized resale infringed its exclusive right under 17 U.S.C. 106(3) to "distribute" copies of the copyrighted work. More than 100 years ago, however, the Court in *Bobbs-Merrill* held that a copyright owner's exclusive statutory right to "vend" the copyrighted work did *not* include a right to dictate the terms on which the goods would be resold. 210 U.S. at 349-351. Although the *Bobbs-Merrill* opinion included analysis of background common-law principles, the Court framed its holding as an interpretation of the Copyright Act in its then-current form. See *id.* at 350 (noting that issue of post-sale restrictions was "purely a question of statutory construction").

The Court in *Bobbs-Merrill* reached that conclusion in 1908, the year before Congress enacted Section 109(a)'s statutory antecedent. See pp. 2-3, 9, *supra*. If Congress had never enacted Section 109(a) or its predecessor, a straightforward application of *Bobbs-Merrill* would indicate that a copyright owner who authorized the importation of foreign-made copies into the United States, and/or authorized a first sale of the copies within this country, had "exhausted his exclusive statutory right to control [the] distribution." *Quality King*, 523 U.S. at 152. To hold that a copyright owner in that circumstance continues to possess exclusive distribution rights under Section 106(3), it would not be sufficient for a court simply to conclude that Section 109(a) is limited

to copies made in the United States. Rather, the court would be required to conclude in addition that, by codifying the first sale doctrine in a way that does not encompass foreign-made copies, Congress had implicitly *expanded* the copyright owner's exclusive right to "vend" or "distribute" those copies. There is no reason to draw that inference. Cf. *1909 House Report* 19 (explaining that express codification of the first sale principle in the Copyright Act of 1909 was intended to "make it clear that there is no intention to enlarge in any way the construction to be given to the word 'vend' in the first section of the bill"); *Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994) (rejecting as "untenable" the suggestion that a "copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States"), cert. denied, 514 U.S. 1004 (1995).

Thus, when a copyright holder has authorized goods to be imported into the United States and/or sold within this country, applying a "first sale" or "exhaustion" principle as an implicit limitation on the copyright holder's exclusive right to "distribute" would be consistent with the current text of the Copyright Act and faithful to the doctrine's historical underpinnings.[5] By

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[5] Where it applies, Section 109(a) supersedes Section 106(3) and therefore obviates the need to determine whether particular conduct would otherwise infringe the copyright owner's exclusive distribution right. The argument in the text suggests that most of the conduct protected by Section 109(a) would be lawful in any event, since it would not infringe any exclusive right of the copyright holder. That conclusion should not be surprising, however, since Section 109(a)'s earliest historical antecedent was enacted simply to confirm Congress's adherence to a "first sale" or "exhaustion" principle that the

contrast, Congress enacted Section 602(a)(1) to ensure that an authorized sale *outside* the United States does *not* exhaust the copyright holder's right to control subsequent importation. See pp. 16-17, *supra* (discussing history of unauthorized importation by downstream wholesalers and jobbers, who ordinarily acquire ownership of copyrighted works only after an authorized first sale has taken place). With respect to the copies at issue here, moreover, respondent has never exercised *any* of the exclusive rights conferred by the Copyright Act, since the Act does not apply outside the United States and both the manufacture and the authorized first sales of the textbooks occurred abroad.

b. The asserted difficulty for downstream distributors and consumers to ascertain the provenance of a particular copy of a copyrighted work also provides no sound reason to prefer petitioner's interpretation of Section 109(a) to that of the court of appeals. With limited exceptions, federal law requires every article of foreign origin imported into the United States (or its container) to be marked to identify the country of origin. See 19 U.S.C. 1304(a); 19 C.F.R. 134.0-134.55. Copyright owners who seek to accomplish market segmentation have an additional incentive to inform buyers of the goods' place of origin and the restrictions on importation. In this case, for example, respondent's foreign editions stated that they were "Printed in Asia" and that export and sale outside certain foreign territories was prohibited. J.A. 118-133, 178-188. Under petitioner's own interpretation of Section 109(a), moreover, the legality of importation and subsequent resale of a foreign-made copy depends on whether the copy's

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Court in *Bobbs-Merrill* had *already* found to be implicit in the Copyright Act's delineation of exclusive rights. See p. 9, *supra*.

creation *would have* been lawful if it had occurred in the United States. It will typically be far more difficult to answer that question than to determine where a copy was made.[6]

3. *Quality King* makes clear that, if the books at issue in this case had been produced by respondent in the United States and then exported to Thailand, Section 602(a)(1) would not have barred petitioner from bringing them back into this country. Petitioner argues (Br. 60, 61) that Congress could have had no plausible reason to differentiate for this purpose between U.S.-made books and books manufactured with respondent's authorization abroad. At least in the bulk of its applications, however, Section 602(a)(1) serves to protect a particular category of domestic goods from a specific type of foreign competition. Given the protectionist thrust of the provision, Congress could reasonably have decided that the importation restriction should apply only to copies made abroad, since application of Section 602(a)(1) to U.S.-made copies would simply be protecting domestic goods from competition from other domestic goods. Cf. *K Mart*, 486 U.S. at 287-288 (discussing since-repealed Tariff Act provision, limited to "mer-

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[6] Some of the more specific policy concerns raised by petitioner and his amici are addressed by other provisions of the Copyright Act. For example, the library association amici contend that the court of appeals' decision could interfere with library lending. Am. Library Ass'n et al. (ALA) Amicus Br. 15-27. The United States agrees, however, that Section 602(a)(3)(C) is fairly (and best) read as implicitly authorizing lending, in addition to importation, of all works other than audiovisual works. See *id.* at 20, 37. Applying the first sale doctrine as a limiting construction of the term "distribute" in Section 106(3), see pp. 27-29, *supra*, and invoking implied license and fair use where appropriate, would also significantly mitigate a number of the amici's concerns.

chandise of foreign manufacture," that barred unauthorized importation of trademarked goods).

Petitioner also expresses concern (Br. 59) that, if the applicability of Section 109(a) turns on the location of a copy's manufacture, the provision could create an artificial incentive for outsourcing. To the extent that the differential treatment described above actually influences copyright holders' decisions about where copies will be produced, Congress presumably would not have viewed manufacture abroad as desirable for its own sake. The mere possibility of such an incentive effect, however, is not a sufficient reason to construe Section 109(a) as effectively nullifying Congress's clear policy choice (see 17 U.S.C. 602(a)(1)) that market segmentation be permitted.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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AMICUS CURIAE BRIEF

RECO
ANC
BRIEFS

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
D/B/A/ BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Second Circuit

BRIEF OF AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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QUESTION PRESENTED

Whether a copy made and distributed abroad is "lawfully made under this title," 17 U.S.C. § 109(a), and thus is exempt from the copyright owner's exclusive right to control the importation of copies of its work into the United States, *id.* § 602(a).

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STATEMENT OF INTEREST[1]

Amicus curiae American Bar Association ("ABA") respectfully submits this brief in support of respondent. The ABA urges this Court to hold that when a copy is made and distributed abroad, it is not "lawfully made under this title," 17 U.S.C. § 109(a), and thus, the copyright owner retains its exclusive right under 17 U.S.C. § 602(a)(1) to control importation of that copy into the United States.

The ABA is the largest voluntary professional organization and the leading organization of legal professionals in the United States. Its nearly 400,000 members come from all fifty states and other jurisdictions and include attorneys in private law firms, government service, corporate law departments, and public interest organizations, as well as judges, legislators, law professors, law students, and non-lawyer associates in related fields.[2]

The ABA's Section of Intellectual Property Law ("IPL Section") is the world's largest organization of

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[1] Pursuant to Rule 37.6, *amicus curiae* certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. The parties have submitted letters consenting to the filing of all *amicus curiae* briefs.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the ABA. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

intellectual property professionals. Its approximately 25,000 members represent the diverse interests of copyright owners, users of works of authorship, large and small corporations, libraries, universities, and individual authors. Formed in 1894, the IPL Section works to promote the development and improvement of intellectual property law. It presents resolutions to the ABA House of Delegates for adoption as ABA policy, which then provides the basis for the IPL Section's active role in the consideration of proposed legislation, administrative rule changes and international efforts, and ABA *amicus* briefs.[3]

The ABA policy pertinent to this case was adopted by the ABA House of Delegates at its 2010 Midyear Meeting (hereinafter, "ABA Policy #109"). It originated in the IPL Section's Copyright Task Force, which is composed of the chairs of all the IPL Section's copyright committees as well as additional attorneys with copyright expertise. The Task Force was created to monitor judicial developments and to develop policy on matters of special importance related to copyright law.

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[3] The ABA's House of Delegates is the ABA's policy-making body. It is composed of more than 561 delegates representing states and territories, state and local bar associations, affiliated organizations, sections and divisions, ABA members, and the Attorney General of the United States, among others. Only recommendations adopted by the ABA House of Delegates become ABA policy. *See* ABA, House of Delegates – General Information, http://www.americanbar.org/groups/leadership/delegates.html.

After an extensive collaborative process, ABA Policy #109 was unanimously approved by the Copyright Task Force and subsequently by the IPL Section Council. It was then presented to and approved by the ABA House of Delegates.[4] It provides:

> The American Bar Association urges courts to interpret the statutory first sale doctrine in Section 109(a) of the U.S. Copyright Act and the copyright owner's importation right in Section 602(a) to exclude application of the first sale doctrine to the importation of goods embodying a copyrighted work that were not manufactured in the United States.[5]

In crafting its policy, the ABA relied on this Court's guidance in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135, 148 (1998), that "copies that are lawfully made under the law of another country" – *i.e.*, that are not made under U.S. copyright law – "are not subject to the first-sale doctrine." The ABA also relied on earlier lower court decisions concluding that Section 109(a) applies to copies that were not made in the United States when

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[4] The ABA Sections of Science and Technology Law, International Law, and Litigation also supported presentation of ABA Policy #109 to the ABA House of Delegates.

[5] *ABA Report with Recommendation #109* (Policy adopted Feb. 2010), *available at* http://www.abanow.org/house-of-delegates-resolutions-2010-midyear-meeting. This policy is limited to the Copyright Act. Other fields, such as trademark and patent law, involve distinct statutory schemes and implicate separate policy concerns.

an authorized first sale had occurred in the United States. *E.g.*, *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 480-82 (9th Cir. 1994).

Consistent with the reasoning of these cases, the ABA urges the Court to hold that the appropriate construction of the interrelationship between Sections 109(a) and 602(a)(1) is that a copy made and distributed abroad is not "lawfully made under this title," 17 U.S.C. § 109(a), and thus is not exempt from the copyright owner's exclusive right under Section 602(a)(1) to control importation of that copy into the United States.

SUMMARY OF ARGUMENT

Under a correct construction of the Copyright Act and this Court's decision in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135 (1948), a copyright owner may prevent the importation into the United States of copies of copyrighted works made abroad when no authorized first sale of those copies in the United States has occurred. The statute at issue in this case – which codifies the principle known as the "first sale" or "exhaustion" doctrine – applies to "the owner of a particular copy or phonorecord *lawfully made under this title*." 17 U.S.C. § 109(a) (emphasis added). An authorized first sale of qualifying copies exhausts the copyright owner's exclusive right to control the importation of those copies into the United States. For two reasons, this Court should hold that the first-sale doctrine does not apply to works manufactured outside the United States.

First, that interpretation of the Copyright Act is most consistent with this Court's prior guidance in *Quality King*, which drew a distinction between copies lawfully made under the law of the United States and copies made "under the law of some other country." 523 U.S. at 147. *Quality King* strongly suggested that the latter category would not be subject to the first-sale doctrine. Although this discussion was *dictum*, it has induced substantial reliance from attorneys advising clients, as well as from copyright holders and manufacturers. Departing now from the reasoning of *Quality King* would disrupt settled expectations in the marketplace that have been based on reasonable reliance on that precedent and long-standing lower court decisions.

Second, limiting the availability of the first-sale defense to goods manufactured domestically best comports with the text and structure of the Copyright Act. Copies made abroad are not naturally regarded as being "lawfully made under" U.S. law, much less under U.S. copyright law, which does not apply extraterritorially. Moreover, interpreting the first-sale doctrine to permit the importation of copies of works produced and sold outside the United States despite the lack of an authorized first sale in the United States would render the right to control importation in Section 602(a) largely superfluous. It would also invite the adoption of costly and complicated contractual arrangements that have no purpose or effect other than to preserve the copyright owner's exclusive right to control distribution into the United States.

The Second Circuit's conclusion that "foreign-manufactured works" are not "made under" U.S. copyright law and thus fall within the protections of Section 109(a) when there has been no qualifying first sale accordingly should be affirmed.

ARGUMENT

The Court Should Construe "Lawfully Made Under This Title" to Refer Only to Copies Made in the United States.

Section 602(a)(1) of the Copyright Act announces a general prohibition against the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." 17 U.S.C. § 602(a)(1). Section 109(a) – which embodies the so-called "first-sale doctrine" – provides as an exception to that general rule that "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." *Id.* § 109(a). The question in this case is whether a copy made and sold overseas is "made under this title" and thus falls within the exception of Section 109(a). As the Second Circuit correctly held, "foreign-manufactured works" are not "made under" U.S. copyright law. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 222 (2d Cir. 2011).

I. The Second Circuit's Decision Is Consistent with This Court's Guidance in *Quality King*.

The Second Circuit explained that the text of Section 109 neither "compel[s]" nor "foreclose[s]" either party's interpretation – rather, "[t]he relevant text is simply unclear." *Kirtsaeng*, 654 F.3d at 220. It then drew guidance from this Court's decision in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135 (1998), and adopted the interpretation that "best comports" with that decision. *Kirtsaeng*, 654 F.3d at 220.

In *Quality King*, this Court addressed the status under Section 602(a) of copies lawfully made in the United States that returned in the stream of commerce to this country – a so-called "round trip." 523 U.S. at 154 (Ginsburg, J., concurring). Although the question presented here was not directly at issue in *Quality King*, the Court illustrated why its holding did not render Section 602(a) a nullity by distinguishing between copies "lawfully made" under "the United States Copyright Act" from those made "under the law of some other country." *Id.* at 147 (majority opinion). The Court then discussed an "example" of this principle: the hypothetical case of a copyright owner's division of its distribution rights between U.S. and British publishers. The Court concluded that copies made by the British publisher would not be "lawfully made under this title" for purposes of Section 109(a). *Id.* at 148.

Although the discussion in *Quality King* was *dictum*, it is well reasoned and amply supported by

established canons of statutory construction, and this Court has issued no holding qualifying its reasoning or reaching the opposite conclusion. Moreover, the status of foreign-manufactured goods was discussed at length by both parties in the *Quality King* briefing. *See* Br. for Pet'r, *Quality King*, 523 U.S. 135 (1998) (No. 96-1470), 1997 WL 441678, at *7-*9 (discussing trade in foreign-manufactured "grey market" goods in the United States, as well as the copyright implications); Br. for Resp., *Quality King*, 523 U.S. 135 (1998) (No. 96-1470), 1997 WL 593882, at *11-*14 (same). In the intervening fourteen years, the Court's statements in that case have thus reasonably induced substantial reliance by attorneys advising clients and by parties that deal in copyrighted works.[6]

As this Court has recognized, "[c]onsiderations in favor of *stare decisis* are at their acme in cases involving property and contract rights, where reliance interests are involved." *Pearson v. Callahan*, 555 U.S. 223, 234 (2009) (quoting *Payne v. Tennessee*, 501 U.S. 808, 828 (1991)). Moreover, when, as here, the case involves a question of statutory interpretation, "*stare decisis* . . . has special force." *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 139 (2008) (internal quotation marks omitted). In addition, when Congress

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[6] Of course, the lower courts, like attorneys, "pay due homage to the Supreme Court's well-considered *dicta* as pharoi that guide [their] rulings." *IFC Interconsult, AG v. Safeguard Int'l Partners, LLC*, 438 F.3d 298, 311 (3d Cir. 2006). The decision below – which relied overwhelmingly on *Quality King* – establishes this point beyond doubt.

amended Section 602 of the Copyright Act in 2008, it made no changes to that section that might have affected the viability of the *Quality King* discussion.

If this Court were to reach a contrary result, that would upset the settled expectations of copyright holders. From the perspective of an organization like the ABA, a ruling at odds with the Court's guidance in *Quality King* would mean that ABA members could not rely on unequivocal, well-reasoned *dicta* to provide reliable attorney advice. Such uncertainty would impose significant additional costs on attorneys and their clients – attorneys would feel compelled to recommend perhaps-unnecessary precautions to cope with the absence of a more definitive ruling, and some clients might be chilled from participating in the marketplace altogether until the law becomes more settled.

In sum, this Court should adhere to the clear guidance it issued in *Quality King* and hold that copies of a work made abroad are not "made under" U.S. copyright law.

II. The Second Circuit's Construction of "Lawfully Made Under This Title" Best Reflects the Statutory Text and Structure.

Independent of *Quality King*, this Court should hold that the Second Circuit correctly construed the Copyright Act. The statute does not separately define the phrase "lawfully made under this title." In interpreting a statute, this Court begins with the text. *Jimenez v. Quarterman*, 555 U.S. 113, 118 (2009).

Section 109(a) codifies the first-sale doctrine, which limits copyright owners' ability to control U.S. distribution of particular copies "lawfully made under this title." 17 U.S.C. § 109(a). "[T]his title" is Title 17 of the U.S. Code, in which the Copyright Act is codified. The statute is thus most naturally read to refer only to copies that are "made under" U.S. copyright law – a body of law that does not have extraterritorial effect.

This conclusion is consistent with the role of Section 109(a) in the overall statutory scheme. *See Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme."). Section 602(a)(1) addresses a copyright owner's right to control importation of copies "acquired outside the United States." 17 U.S.C. § 602(a)(1). But if the first sale doctrine applied to copies made and sold abroad, then Section 109(a) would seemingly limit the copyright owner's power under Section 602(a)(1) to control only the importation of such copies possessed by non-owners, such as bailees and licensees. It is unlikely that Congress intended the statute to have such a narrow application. *Cf. Freytag v. Comm'r of Internal Revenue*, 501 U.S. 868, 877 (1991) ("Our cases consistently have expressed a deep reluctance to interpret a statutory provision so as to render superfluous other provisions in the same enactment.") (internal quotation marks omitted).

Relatedly, Section 602(a) in certain circumstances exempts from the copyright owner's exclusive right to control importation those copies that (1) will be used by the government, (2) are for the personal use of the importing party, or (3) are imported for "scholarly, educational, or religious purposes." 17 U.S.C. § 602(a)(3)(A)-(C). But when applicable, these explicit exceptions to the copyright owner's exclusive right to control importation do not allow the importer to then further distribute the lawfully imported copies. Instead, in cases governed by these exceptions, the copyright owner continues to control the further downstream distribution of its works in the United States. *See Quality King Distribs, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 145 (1998). Petitioner's reading of Section 109(a), by contrast, would give the importer of a copy made and sold abroad the much greater power to distribute that copy in the United States over the copyright owner's objection. The statutory design – with its narrower express exemptions – suggests that Congress did not intend in Section 109(a) to enact such a sweeping exception to Section 602(a).

That conclusion is reinforced by the long-standing presumption, which formed the backdrop for the adoption of the Copyright Act, that the country's proscriptive and prescriptive competence ends at its own borders. *See Am. Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909) ("[T]he character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."), *overruled on other grounds, Cont'l Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 704-05 (1962). Containing

no contrary statutory indication, the U.S. Copyright Act is presumed territorial. *See generally* 1 Paul Goldstein, *Goldstein on Copyright* § 1.12, at 1:26 (3d ed. 2005) ("Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders.").

In enacting the Copyright Act, Congress recognized territorial limits on copyright. For example, the statute identifies the types of works Congress chose to protect under copyright within U.S. borders and provides an importation right in Section 602(a) distinct from the public distribution right of Section 106(3). There is no evidence in the statute that Congress determined that the copyright owner's activities abroad should enhance or extinguish rights under the U.S. Copyright Act that are solely exercisable in the United States.

The ABA accordingly urges this Court to affirm the Second Circuit's conclusion that a copyright owner's manufacture and sale of copies strictly outside the United States does not exhaust its rights under Section 602(a) to restrict importation of those copies into this country.

CONCLUSION

For the foregoing reasons, the judgment of the Second Circuit should be affirmed.

Respectfully submitted,

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AMICUS CURIAE BRIEF

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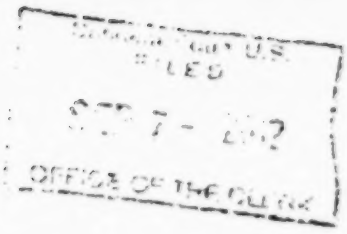

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENT

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STATEMENT OF INTEREST

Amicus curiae American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members engaged in private and corporate practice, in government service, and in the academic community.[1] AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA has no stake in any of the parties to this litigation or in the result of this case other than its interest in seeking the correct and consistent interpretation of

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[1] Pursuant to Supreme Court Rule 37.6, AIPLA certifies that no counsel for a party authored this brief in whole or in part, and that no person or entity, other than AIPLA, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the law as it relates to intellectual property issues.[2]

STATEMENT

1. In attempting to determine whether 17 U.S.C. §109(a)'s "first-sale" defense trumps a copyright owner's rights under Section 602(a)(1) to bar importation into the United States of legitimate foreign-made copies of its work, both the parties in this case and the Second Circuit (as well as a number of other courts) have focused on Section 109(a)'s "lawfully made under this title" phrase while ignoring the actual conduct regulated under Section 109(a): the right of an owner of a copy to "sell or otherwise dispose of possession" of a particular copy. However, under the well-established presumption against extraterritorial application of statutes, U.S. statutes regulate conduct only within U.S. borders absent a clear indication that Congress intended to regulate conduct abroad. As far as U.S. copyright law is concerned, the first conduct subject to regulation here was the unauthorized importation of

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[2] In accordance with Supreme Court Rule 37.3(a) this brief is filed with the consent of Petitioner expressed in a letter of consent filed with the Clerk of the Court concurrently with this brief. Respondent has consented to this brief by filing a blanket consent with the Court. AIPLA provided counsel of record with notice of its intent to file this brief more than ten days prior to the due date, as required by Supreme Court Rule 37.2(a).

Respondent's foreign-made copies. (J.A. 60-61.)[3] Under Section 602(a)(1), that importation constituted infringement of Respondent's distribution right, before Petitioner ever had the opportunity to "sell or otherwise dispose of" copies in the United States.

It is on this basis that the Court should affirm the Second Circuit's decision. This approach to the law avoids the adverse consequences (as well as the inapt domestic manufacturing requirement) that result from the lower court's unduly restrictive and unnecessary interpretation of "lawfully made under this title." This approach warrants a brief overview of how the statutory provisions at issue interrelate with the facts of this case.

2. The enforcement provisions of Section 602 give copyright owners the ability to make distinct business decisions concerning their works in domestic and international markets by allowing them to make and sell versions of their works outside of the United States without sacrificing domestic protection. Thus, Section 602(a)(1) permits the copyright owner to sue an unauthorized importer of copies made and authorized for sale only outside of the United States for infringement "of the exclusive right to distribute copies or phonorecords under Section 106 ...."

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[3] AIPLA adopts and will use the same abbreviations set forth in footnote 2 of Petitioner's Brief.

This right to distribute is one of the "bundle" of six rights granted to a copyright owner under 17 U.S.C. § 106. It grants the copyright owner the exclusive right to distribute copies "to the public by sale or other transfer of ownership, or by rental, lease, or lending ...." 17 U.S.C. § 106(3). Congress limited the Section 106 "bundle" of rights with the exceptions and defenses found in later provisions of Title 17 as part of its balancing of interests under the Copyright Law. Thus, for instance, the distribution right is subject to the first-sale exception set forth in Section 109(a). In Section 109(a), Congress granted the owner of a copy of the protected work that was "lawfully made under this title" the right to freely "sell or otherwise dispose of the possession of that copy or phonorecord" without the authority of the copyright owner. 17 U.S.C. § 109(a).

3. In *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998) ("*Quality King*"), this Court addressed the effect of Sections 106, 109(a) and 602(a) on copies of copyrighted labels that initially were made in the United States, exported to foreign countries and eventually imported back into the United States. 523 U.S. at 139. Invoking Section 602(a), the copyright owner sued for infringement of its Section 106 distribution right. *Id.* at 140. This Court held that because the distribution right is subject to Section 109(a), the copyright owner could not rely on Section 602(a)'s ban on unauthorized importation, stating that "... once the copyright owner places a copyrighted item in

the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152. Because the imported copies in *Quality King* were initially sold from the United States, however, this Court was not faced with the question of whether Congress intended to provide for the extraterritorial application of Section 106(3) and the related Section 109(a) exceptions to copies that were made and sold entirely outside of the United States. *See id.* at 154 (Ginsburg, J., concurring).

4. In this case, Petitioner Supap Kirtsaeng came to the United States from Thailand in 1997 to study, first at Cornell University and, later, in a PhD program at the University of Southern California. (J.A. 60.) During that time, he subsidized his education by reselling textbooks. (Pet. Brief at 7.) His family in Thailand purchased less expensive (and often lesser quality) versions of English-language textbooks and shipped them to Petitioner who, in turn, sold them in the United States. *Id.* at 7-8.

Among the textbooks Petitioner's family purchased in Thailand for resale in the United States were books in which Respondent John Wiley & Sons, Ltd. owns the copyright. *Id.* at 8. All of the textbooks in question, which Respondent sold in Thailand for a fraction of the U.S. price, were manufactured outside the United States by Respondent's Asian subsidiary. (J.A. 60.) Although the content of the Asian versions of the books is often similar or identical to the U.S. versions, the Asian versions vary in design and

supplemental content, omitting related CD-ROMS included in the U.S. versions and often employing lesser-quality printing material. (Pet. Brief at 8.) The Asian versions are marked with a legend limiting the sale of the books to a particular region outside the United States. (J.A. 63.) Because the books were manufactured outside the United States, the district court refused to allow Petitioner to invoke the first-sale defense under Section 109(a). (Pet. Brief at 9.)

The Second Circuit affirmed. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 224 (2d Cir. 2011). Characterizing the phrase "lawfully made under this title" as "an utterly ambiguous text," *id.* at 220, the court ultimately concluded that reading a domestic manufacturing requirement into this language was necessary to avoid eviscerating the bulk of Section 602(a)(1):

> "[T]he mandate of §602(a)(1) ... would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every copy manufactured abroad that was either made 'subject to protection under Title 17,' or 'consistent with the requirements of Title 17 had Title 17 been applicable."

Id. at 221.

Limiting its analysis to the "lawfully made under this title" language, the Second Circuit did not consider the territorial limits on the Section 106(3) distribution right or the territorial limits on the conduct regulated by and expressly articulated in Section 109(a), namely, the right of an individual copy owner to "sell or otherwise dispose of" a copy. Accordingly, the court had no occasion to consider the effect of the presumption against extraterritoriality on "the mandate" of Section 602(a)(1).

ARGUMENT SUMMARY

AIPLA urges the Court to affirm, but on the following alternative grounds.

1. The Second Circuit correctly held that a copyright owner's right to Section 602(a)(1) relief against unauthorized imports is not limited by the first-sale defense of Section 109(a). It did so, however, by incorrectly reading a non-existent geographical limitation into Section 109(a) that was purportedly found in the statutory phrase "lawfully made under this title."

2. Contrary to Petitioner's argument, the construction of "lawfully made under this title" does not provide the answer in this case because the actual conduct regulated by the first-sale defense is the right of the owner of a copy to "sell or otherwise dispose of the possession" of that copy. In construing Section 109(a)'s geographical reach, neither the court of appeals nor the parties appear to have considered the statute's operative

language, let alone the long-recognized presumption against extraterritorial application of United States law. Under that presumption, a statute is interpreted only to regulate conduct that occurs within the United States absent a clear indication that Congress intended the statute's reach to extend abroad. Under this presumption, neither the right granted to copyright owners to control the distribution of their works under Section 106(3) nor a copy owner's defense under Section 109(a) can be based on sales or other dispositions of copyrighted works that occur wholly outside of the United States.

3. Such an extraterritoriality analysis is unnecessary for the phrase "lawfully made under this title" of Section 109(a) because the presumption against extraterritoriality applies to the reach of legislation that regulates *conduct*. Section 109(a)'s "sale or otherwise dispose of" language regulates the conduct that is the subject of that provision—*i.e.*, transactions involving copyrighted works—whereas Section 109(a)'s "lawfully made under this title" language simply refers to the *fact* that copies made abroad can be made with the consent or license of the copyright holder in accordance with the statute.

4. The result in this case is that Sections 106(3) and 109(a) of Title 17 had no bearing at all on the international sales and other distribution of the Asian versions of Respondent's textbooks in Thailand. Only when Petitioner imported those books into the United States in violation of Section 602(a)(1) did any infringement under the

Copyright Act occur. This infringement occurred *before* anyone had an opportunity to "sell or otherwise dispose of" the textbook copies within the United States, rendering the first-sale defense under Section 109(a) irrelevant.

5. AIPLA's analysis is consistent with this Court's decision in *Quality King*. That case did not concern copies made outside the United States, but, rather, copies that initially were sold domestically. *See Quality King*, 523 U.S. at 139. The Court held that once those copies entered into the stream of commerce through sale, the copyright owner "exhausted" its statutory right to control distribution. *Id.* at 152. Here, however, all of the sales at issue were made outside of the United States before importation of any of the copies. (J.A. 60.) To hold that "exhaustion" applies here would require a conclusion that Congress intended both Section 106(3)'s distribution right and Section 109(a)'s right to "sell or otherwise dispose of" copies to apply to transactions occurring entirely outside the United States, in direct conflict with the long-standing presumption against extraterritorial application of U.S. statutes.

6. Properly construing the Copyright Act through the lens of the presumption against extraterritoriality gives effect to the important balance of rights inherent in Section 602(a)(1) that Congress provided to copyright owners and the public at large. Section 602(a)(1) was intended to allow copyright owners to partition global markets for their copyrighted works. This is a right critical

to encouraging copyright owners to tailor their works for distribution to the public in other markets, such as developing nations, where the works and prices offered by the owner may be much different than in the United States. Similarly, the public can be assured that the copies they purchase in the United States meet the standards set by the copyright owner for the United States.

ARGUMENT

I. The "Lawfully Made Under This Title" Language of Section 109(a) Does Not Impose a Territorial Restriction; the Right to "Sell or Otherwise Dispose of Possession" Language Does.

A. Petitioner correctly maintains that "lawfully made under this title" does not impose a territorial restriction in applying the first-sale doctrine.

AIPLA agrees with Petitioner that a copy is "lawfully made under" a statute if it was made "in compliance with" or "in accordance with" the statute. (Pet. Brief at 11, 24.) AIPLA will not reiterate the myriad bases advanced by Petitioner for its conclusion that this language imposes no domestic manufacturing requirement. It is helpful, however, to amplify a few points.

First, as Petitioner points out, 17 U.S.C. § 104 expressly provides that unpublished works

anywhere in the world and published works created in "treaty-party" nations "are subject to protection" under the Copyright Act.[4] (Pet. Brief at 30-31.) In light of this near-universal protection for originals, applying the lower court's analysis—that "lawfully made under this title" must mean "made in the United States"—would create a disparity that Congress never could have intended. Under Title 17, originals are, in fact, "copies." 17 U.S.C. § 101.[5] Thus, under the express language of Section 104, foreign-made originals are copies "subject to protection" under Title 17. 17 U.S.C. § 104.

The Second Circuit's construction would require foreign-made originals to be subject to the first-sale exception of Section 109(a) because they are, by definition, "made under this title." At the same time, this construction also means that foreign-made *copies* of those foreign-made originals would fall outside Section 109(a) because they are not manufactured on U.S. soil. The consequence of this construction is that the purchaser of a foreign-made original would be free to sell or otherwise dispose of that original; the purchaser of a copy, on the other hand, would be subject throughout the

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[4] As discussed *infra*, although a work may be copyrightable under U.S. copyright law, the exclusive rights in the work under Section 106 may only be exercised in the United States. (*See, infra*, pp. 15-16.)

[5] Section 101 provides in part, "The term 'copies' includes the material object, other than a phonorecord, in which the work is first fixed." 17 U.S.C. § 101.

copyright term to the whims of the copyright owner. This unprincipled distinction between purchasers of the same work is both unreasonable and untenable and cannot be what Congress intended. *See Am. Tobacco Co. v. Patterson*, 456 U.S. 63, 71 (1982) ("Statutes should be interpreted to avoid untenable distinctions and unreasonable results whenever possible."). [6]

Second, AIPLA also agrees with Petitioner and other *amici*, including the Association of Art Museum Directors ("AAMD"), *et al.*, as to the effect of the Second Circuit decision on the right to display artwork. (*See* Pet. Brief at 34; AAMD Brief at 13-16.) Thus, applying the Second Circuit's reading of "lawfully made under this title" in Section 109(a) to the identical language in Section 109(c) which limits the display right in Section 106, means that museums could "... lose their ability to display foreign-made copyrighted works of art to the public." (AAMD Brief at 3.) Concluding that Congress intended to create a display right for domestically-created copies, but not for works of fine art created abroad likewise

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[6] In her concurrence, Justice Ginsburg referenced a treatise to highlight her observation that the Court was not faced with the issue of the importation of foreign-manufactured copies. *Quality King* at 154. However, the referenced conclusion that "lawfully made under this title" can only mean "lawfully made in the United States" was not been carefully examined in the treatise based on any rule of statutory construction or with reference to the interrelation of the various provisions of Title 17.

constitutes an "untenable distinction" and "unreasonable result." *Patterson*, 456 U.S. at 71.[7]

B. The right to "sell or otherwise dispose of" a copy under Section 109(a) applies only to transactions within the territorial jurisdiction of the United States.

An analysis of the scope and effect of Section 109(a) does not end with the proper construction of the "lawfully made under this title" phrase. Construing only this language ignores the portion of Section 109(a) that actually regulates conduct, specifically, the right to "sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a). Failing to consider this operative language also avoids a fundamental question for any statutory interpretation, *i.e.*, the presumption against extraterritoriality.

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[7] AIPLA has referenced the AAMD's brief to underscore that Congress could not have intended such an incongruous result. Left unresolved is the full effect of Section 602(a)(1) on the unauthorized importation of a single work of art and whether a copyright owner can sue for infringement of the distribution right should that work be imported into the United States without authorization. This question is not before the Court, but under such circumstances, the importer could assert a number of defenses including, the "personal baggage" exception, *see* 17 U.S.C. § 602(a)(3)(B), the fair use doctrine, *see* 17 U.S.C. § 107, implied license theories and whether the reference to the plural "copies" in Section 602(a)(1) refers only to duplicates of originals.

The presumption is a "longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) ("*Aramco*") (internal citation and quotation marks omitted). This tool of statutory interpretation presumes that Congress legislates to regulate domestic and not foreign matters. *See Morrison v. Nat'l Australia Bank, Ltd.*, 130 S. Ct. 2869, 2877 (2010) (citing *Smith v. United States*, 507 U.S. 197, 204, n.5 (1993)). "Thus, unless there is the affirmative intention of the Congress clearly expressed to give a statute extraterritorial effect, [the Court] must presume it is primarily concerned with domestic conditions." *Id.* (quoting *Aramco*, 499 U.S. at 248 (internal quotation marks omitted)). This Court "appl[ies] the presumption in all cases, preserving a stable background against which Congress can legislate with predictable effects, *Morrison*, 130 S. Ct. at 2881, ... regardless of whether there is a risk of conflict between the American Statute and a foreign law," *id.* at 2877-78 (citing *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155, 173-174 (1993)). "When a statute gives no clear indication of an extraterritorial application, it has none." *Id.* at 2878.

Here, the application of the presumption against extraterritoriality is straightforward. Section 106(3) gives the copyright owner the exclusive right "to distribute copies or

phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." Because Congress gave no clear indication that the Copyright Act was intended to regulate conduct abroad, Title 17 rights do not extend beyond the territorial jurisdiction of the United States. This much is uncontroversial. Courts have long recognized that Section 106 rights do not apply outside the United States. *See, e.g., Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994) ("[W]e are unwilling to overturn eighty years of consistent jurisprudence on the extraterritorial reach of the copyright laws without further guidance from Congress."); *see also Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application.").[8]

Likewise, there is no indication in the statute that Congress intended extraterritorial application of the Section 109(a) exception to Section 106(3) which permits the owner of a specific copy to "sell or otherwise dispose of" that copy. *See Morrison*, 130 S. Ct. at 2885 (" [I]t is the foreign location of the *transaction* that establishes (or reflects the presumption of) the Act's inapplicability....") (emphasis in original).

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[8] This is in stark contrast to the Lanham Act, whose language has been expressly interpreted by this Court as having extraterritorial effect. *Morrison*, 130 S. Ct. at 2887, n.11 (citing *Aramco*, 499 U.S. at 252).

The facts of this case handily illustrate this point. The purchase by Petitioner's family in Thailand of the textbooks at issue implicated neither the Section 106(3) distribution right nor any other Section 106 right. As far as U.S. law was concerned, they were free to sell, distribute, copy or otherwise dispose of the books outside the United States. Likewise, the bookseller in Thailand who sold Petitioner's family the books did not need to rely on Section 109(a) to do so because the transaction was wholly outside the United States. The Copyright Act remained a stranger to all of those transactions. It is for this reason that it was proper to bar Petitioner from invoking the first-sale defense under Section 109(a).

C. The presumption against extraterritoriality has no application to the "lawfully made under this title" phrase.

Applying the presumption against extraterritoriality, does not, however, support the Ninth Circuit's suggestion in *Omega S.A. v. Costco Wholesale Corp.* that finding foreign-made copies to be "lawfully made under this title" would require extraterritorial application of the statute. *See* 541 F.3d 982, 988 (9th Cir. 2008). The presumption against extraterritoriality "applies almost only to laws governing what *people can or cannot do.*" *Shady Grove Orthopedics Assocs. P.A. v. Allstate Ins. Co,* -- U.S. --; 130 S. Ct. 1431, 1457, n.16 (2010) (Stevens J., concurring) (emphasis added); *see also Kirtsaeng*, 654 F.3d at 219

("extraterritorial application of Title 17 is more complicated than Wiley allows."). Thus, it is wholly consistent with extraterritorial analysis to recognize the *fact* that copies manufactured abroad are "lawfully made under this title" (*i.e.*, made consistent with the provisions of the Copyright Act), while also recognizing that Congress did not intend the Copyright Act to regulate conduct abroad.

The Court's recent *Morrison* decision illustrates this point. In *Morrison*, this Court held that in a securities fraud action, Section 10(b) of the Securities Exchange Act of 1934 could not apply to the purchase and sale of securities traded on Australian exchanges, even though a portion of the alleged fraud may have occurred in the United States. *See* 130 S. Ct. at 2883, 2885. In so holding, the Court's analysis hinged not on where the securities originated, but on the geographic location of the conduct regulated by Section 10(b). *See id.* at 2885. "Those purchase-and-sale transactions are the object of the statute's solicitude. It is those transactions that the statute seeks to 'regulate' ...." *Id.* at 2884 (citations omitted). Foreign securities (*i.e.*, securities, like copies, that originate abroad) are routinely traded on U.S. stock exchanges. The presumption against extraterritoriality was not invoked by this Court in *Morrison* because the securities originated abroad, but, rather, because they were exclusively traded abroad. *Id.* at 2885. Likewise, here, it is the right to "sell or otherwise dispose of" that is the "object

of the statute's solicitude" and not the situs of the copies reproduction.[9]

II. The Proper Application of the Presumption Against Extraterritoriality Harmonizes the Section 109(a) First-Sale Exceptions with the "Mandate" of Section 602(a)(1).

A. The Section 109(a) first-sale exception is not triggered until after foreign-made copies are on U.S. soil.

In an effort to rescue Section 602(a)(1) from irrelevance, the Second Circuit (as well as Respondent) focused only on the "lawfully made under this title" language of Section 109(a), but ignored the operative language regulating the right to "sell or otherwise dispose of" copies. The difficulties inherent in the Second Circuit's and Respondent's analyses are now apparent. By shifting the focus of the territorial analysis to the statutory language regulating conduct (as this Court has done for decades in other cases), both Sections 109(a) and 602(a)(1) can be harmonized and given the full effect Congress intended.

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[9] Similarly, 35 U.S.C. § 102(b) recognizes that a U.S. patent can be invalidated if the "the invention was patented or described in a printed publication in this or a foreign country . . . more than one year prior to the date of the application for patent in the United States." This hardly invokes extraterritorial enforcement of the Patent Act.

As discussed above, Section 106 provides the copyright owner's "bundle" of rights, including the right to distribute copies "... *to the public* by sale or other transfer of ownership, or by rental, lease, or lending ...." 17 U.S.C. § 106(3) (emphasis added). As Professor Nimmer has emphasized, it is not just any distribution of copies that falls into Section 106(3) but only "such distributions as are made 'to the public.' " 2-8 NIMMER ON COPYRIGHT, § 8.11[C] (2012) (citation omitted). Likewise, the Congressional Committee notes to Section 106 focus on the public conveyance requirement of Section 106(3), stating that the purpose of Section 106 is to make clear that the copyright owner has "... the right to control the first public distribution of an authorized copy or phonorecord of his work ...." H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976).

Section 602(a)(1), however, requires no such public conveyance. It merely provides that importation of copies into the United States "without the authority of the copyright owner ... is an infringement of the exclusive right to distribute copies or phonorecords under Section 106, actionable under Section 501."[10] 17 U.S.C. § 602(a)(1). Put another way, Section 602(a)(1) provides the copyright owner with a means of suing for infringement of the distribution right, even though the simple act of causing a copyrighted work to cross the border in itself does not constitute a conveyance or distribution to the

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[10] Section 501 defines infringement of the exclusive rights.

public. The Committee notes to Section 602(a) confirm this point by stating that if none of Section 602(a)'s exceptions apply, "any unauthorized importer of copies ... could be sued for damages and enjoined from making use of them even before any public *distribution in this country* has taken place." H.R. Rep. No. 1476, 94th Cong., 2d Sess. at 170 (1976); S. Rep. No. 473, 94th Cong., 2d Sess. at 162 (1976) (emphasis added).

As discussed above, the Section 109(a) right to sell and dispose of copies (as with the right to distribute) is conduct that can only be regulated within U.S. borders. (*See*, *supra*, pp. 13-16.) So long as copies are made and remain outside the United States, they can be transferred, sold, rented, leased, destroyed, modified and resold without ever invoking the reach of Title 17. It is only after such copies are imported that Title 17's regulation of conduct begins.

At that point, if the importation is unauthorized, Section 602(a)(1) provides that such importation is "an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." 17 U.S.C. § 602(a)(1). Prior to this moment, no Section 106 rights have been exercised, let alone exhausted, because no U.S. conduct regulated under the Copyright Act has occurred. Likewise, no Section 109(a) first-sale defense exists because it, too, is not triggered until *after* the copies are

imported and *after* they have been sold or disposed of.[11]

Simply examining the text of the exceptions to Section 106 debunks Petitioner's suggestion that reading 109(a) as Congress intended will undermine those exceptions. (Sections 107-122). Almost all of the exceptions contain blanket "non-infringement" language which protects the integrity of the privileges they provide at the point of importation.[12] For instance, the fair use language of Section 107 states that "... the fair use of a copyrighted work ... is not an infringement of copyright." 17 U.S.C. § 107. Period. Section 109(a) requires a "sale" or other disposition of the foreign-made copy before the copy's owner may assert the right. 17 U.S.C. § 109(a). By contrast, an importation that can satisfy the fair use factors

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[11] The use of the term "first-sale" in connection with Section 109(a) is common but may be something of a misnomer. The provision assumes lawful ownership of a legitimate copy, and then sets forth what a copy's owner may do with that individual copy, *i.e.*, "sell or otherwise dispose of" it. How a copy's owner lawfully acquires it—*e.g.*, through purchase, lawful reproduction or compulsory license—is irrelevant to the subsequent disposition. Accordingly, whether a copy has been sold once abroad or not before it is imported into the United States is likewise irrelevant.

[12] It is also unlikely that many of the exceptions would ever involve importation or implicate Section 602(a)(1) since the conduct they regulate can occur only within U.S. borders. *See, e.g.*, Sections 106A (right of attribution), 108 (library reproduction right), 112 (ephemeral recordings), 116 (licenses for coin-operated phonorecord players.)

of Section 107 would never constitute infringement in the first place.

B. AIPLA's analysis is consistent with this Court's holding in *Quality King*.

In *Quality King*, this Court chose not to focus on the word "importation," holding that importation of the copies at issue could be subject to a Section 109(a) defense because: "The whole point of the first-sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." 523 U.S. at 152. There, however, the copyright owner's rights had long since been exhausted under Title 17 because the copies had been made in the United States and sold. It would make little sense (without any statutory support) to suggest that *exporting* the U.S. copies somehow "reanimated" the copyright owner's rights of alienation because the copies hit foreign soil. The difference, here, of course, is that, prior to Petitioner's importation, no transactions involving the copies at issue were ever subject to U.S. law.

To extend this Court's statement regarding the copyright owner's "exhaustion" of his or her rights to the facts of this case—when all such transactions occurred abroad—would constitute a bold extension of the territorial reach of both Sections 106 and 109 without any express directive

from Congress in direct contradiction to the long-held teachings this Court reiterated in *Morrison*.[13]

Finally, this analysis resolves one other potential statutory conflict with which this Court grappled in *Quality King*. Section 501(a) specifically provides:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 ... *or* who

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[13] There is nothing to suggest that Congress sought to incorporate international exhaustion into the Copyright Act. There certainly has been no treaty or other international agreement adopting this doctrine. To the contrary, in negotiating the Agreement on Trade-Related Aspects of Intellectual Property Rights, the United States and other signatories were unable to agree on adoption of international exhaustion. *See, e.g.*, Heath, Christopher, "Parallel Imports and International Trade" at 8-9, accessible at http://www.wipo.int/sme/en/ip_business/export/international_exhaustion.htm. Currently, Article 6 of the TRIPs Agreement reads that "for the purposes of dispute settlement under this Agreement . . . nothing . . . shall be used to address the issue of exhaustion of intellectual property rights." TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994). It is also worth noting that, even though this case involves express statutory language, the territorial requirement of exhaustion urged here is consistent with the rule in patent law. *See, e.g.*, *Fujifilm Corp. v. Benum*, 605 F.3d 1366, 1370-72 (Fed. Cir. 2010).

> imports copies or phonorecords into the United States in violation of section 602, is an infringer...

(Emphasis added).

As this Court noted in *Quality King*, the use of the disjunctive "or" "is more consistent with an interpretation that a violation of § 602 is distinct from a violation of § 106." 523 U.S. at 149. But the Court went on to conclude that such an inference was outweighed by other statutory language. *Id.* at 149. Applying Section 602(a)(1) to foreign-made copies would resolve the difficulty addressed by the Court in *Quality King* and give the language in Section 501 its full effect.

III. Section 602(a)(1) Protects Important Rights for Copyright Owners and the Public at Large.

The proper means of harmonizing Sections 109(a) and 602(a)(1) described above preserves an important right Congress intended to provide in adopting the Copyright Act: the ability of copyright owners to partition global markets for their copyrighted works. Not only did the court below recognize this principle, *see Kirtsaeng*, 654 F.3d at 221 (observing that Section 602(a)(1) is "obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work."), this Court in *Quality King* acknowledged the long-standing practice of book publishers

dividing up international markets. *See Quality King*, 523 U.S. at 147. In opting to permit copyright owners to partition markets, Congress expressed its intention to preserve this important right.

The reasons Congress made this choice are compelling and obvious. Suppose, for example, a U.S. filmmaker creates a movie containing sexual subject matter that may be considered unacceptable in various parts of the world. Recognizing, however, that India is one of the largest film markets in the world, the filmmaker decides to exploit that market by distributing an edited version of the film. Section 602(a)(1) permits the filmmaker to distribute the film there without fear that it will have to face competition from the compromised derivative work being sold or distributed in the United States. These are not hypothetical concerns for filmmakers and movie studios. *See, e.g., Clean Flicks of Colorado, LLC v. Soderbergh*, 433 F. Supp. 2d 1236 (D. Colo. 2006) (injunction granted for filmmakers and movie studios against companies who distributed altered copies of videos to delete sex, nudity, profanity and violence).

The facts of this case illustrate perhaps even more vividly the need for proper application of Section 602(a)(1). As *amicus curiae* Intellectual Property Owners Association discusses extensively in its brief at pp. 15-21, the global textbook market is a competitive one. As in this case, publishers make the decision to sell textbooks produced with less expensive materials in international markets

that they sell at lower prices. Without the protections of Section 602(a)(1), importers like Petitioner can purchase the cheaper versions of the textbooks and undercut the market for the high-quality books in the United States. These circumstances provide a powerful disincentive to publishers considering whether to sell in other markets, particularly those in developing nations whose populations may benefit most from access to protected content. While Petitioner and other amici may attempt to debate the merits of this policy, ultimately, it was Congress' decision to provide these rights to copyright owners and, ultimately, any such change in policy should come from Congress.

CONCLUSION

For the foregoing reasons, AIPLA urges this Court to affirm on the alternative grounds advanced above.

Respectfully submitted.

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September 7, 2012

AMICUS CURIAE BRIEF

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In The
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SUPAP KIRTSAENG
DBA BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

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INTEREST OF AMICI[1]

The American Library Association (ALA), established in 1876, is a nonprofit professional organization of more than 67,000 librarians, library trustees, and other friends of libraries dedicated to providing and improving library services and promoting the public interest in a free and open information society.

The Association of College and Research Libraries (ACRL), the largest division of the ALA, is a professional association of academic and research librarians and other interested individuals. It is dedicated to enhancing the ability of academic library and information professionals to serve the information needs of the higher education community and to improve learning, teaching, and research.

The Association of Research Libraries (ARL) is an association of 126 research libraries in North America. ARL's members include university libraries, public libraries, government and national libraries. ARL programs and services promote equitable access to and effective use of recorded knowledge in support of teaching and research.

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[1] Petitioner's letter consenting to the filing of this brief is being filed with this brief. Respondent's letter granting blanket consent to the filing of amicus briefs has been filed with the Clerk. No counsel for a party authored this brief in whole or in part, and no person other than amici curiae or its counsel made a monetary contribution to the preparation or submission of this brief.

Collectively, these three library associations (amici library associations) represent over 100,000 libraries in the United States employing over 350,000 librarians and other personnel.

One of the most basic functions of libraries is lending books and other materials to the public.[2] Section 106(3) of the Copyright Act grants the copyright owner the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by . . . lending." 17 U.S.C. § 106(3). However, the first sale doctrine, codified at Section 109(a) of the Copyright Act, exhausts the copyright owner's distribution right in a particular copy "lawfully made under this title" after the first sale of that copy. 17 U.S.C. § 109(a). The House Judiciary Committee Report on the 1976 Copyright Act explains that under Section 109(a), "[a] library that has acquired ownership of a copy is entitled to lend it under any conditions it chooses to impose." H.R. Rep. No. 94-1476, § 109, at 79 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5693. The first sale doctrine thus is critical to the operation of libraries: "[w]ithout this exemption, libraries would be unable to lend books, CDs, videos, or other materials to patrons." Carrie Russell, *Complete Copyright: An Everyday Guide For Librarians* 43 (2004).

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[2] Libraries circulate a wide variety of materials in addition to books, including journals, dissertations, computer programs, phonorecords, and audiovisual works. References in this brief to books could include these other materials.

This case concerns the meaning of the phrase "lawfully made under this title" in Section 109(a). The Second Circuit ruled that "lawfully made under this title" means lawfully manufactured in the United States. But many of the materials in the collections of U.S. libraries were manufactured overseas. Indeed, U.S. publishers now print an increasing number of books in China and other countries with lower labor costs. Thus, an affirmance of the decision below could jeopardize the ability of libraries to lend a substantial part of their collection to the public. In other words, how this Court interprets the phrase "lawfully made under this title" could determine the extent to which libraries can continue to perform their historic function of lending books and other materials to the public. Amici library associations respectfully request the Court to reject the Second Circuit's interpretation, and instead hold that copies "lawfully made under this title" means "copies manufactured with the lawful authorization of the holder of a work's U.S. reproduction and distribution rights."

SUMMARY OF ARGUMENT

For almost four hundred years, libraries in America have promoted democratic values by lending books and other materials to their users. Notwithstanding the wide availability of content over the Internet, U.S. libraries engage in over 4.42 billion circulation transactions a year. These circulation transactions do not infringe the copyright owners'

distribution rights because of the first sale doctrine codified at Section 109(a) of the Copyright Act.

By restricting the application of Section 109(a) to copies manufactured in the United States, the Second Circuit's decision threatens the ability of libraries to continue to lend materials in their collections. Over 200 million books in U.S. libraries have foreign publishers. Moreover, many books published by U.S. publishers were actually manufactured by printers in other countries. Although some books indicate on their copyright page where they were printed, many do not. Libraries, therefore, have no way of knowing whether these books comply with the Second Circuit's rule. Without the certainty of the protection of the first sale doctrine, librarians will have to confront the difficult policy decision of whether to continue to circulate these materials in their collections in the face of potential copyright infringement liability. For future acquisitions, libraries would be able to adjust to the Second Circuit's narrowing of Section 109(a) only by bearing the significant cost of obtaining a "lending license" whenever they acquired a copy that was not clearly manufactured in the United States.

Judge Murtha in his dissent correctly interpreted "lawfully made under this title" to mean "copies manufactured with the lawful authorization of the holder of a work's U.S. reproduction and distribution rights." Unlike the Second Circuit's rule, this interpretation of Section 109(a) advocated by amici library associations is consistent with the privileged status Congress has accorded libraries in Title 17. Also unlike

the Second Circuit's rule, the interpretation advanced by amici library associations supports library users' First Amendment right to receive information.

If the Court decides to affirm the Second Circuit, amici library associations urge the Court to lessen the adverse impact on libraries by holding that: 1) parties can raise the first sale defense in cases involving foreign-manufactured copies so long as a lawful domestic sale had occurred; 2) the library exception in 17 U.S.C. § 602(a)(3)(C) applies to lending as well as importing; and 3) library lending constitutes a fair use under 17 U.S.C. § 107.

ARGUMENT

I. THROUGHOUT AMERICAN HISTORY, LIBRARIES HAVE PROMOTED DEMOCRATIC VALUES BY LENDING BOOKS TO THE PUBLIC.

Libraries are part of the fabric of American democracy. "U.S. libraries arose out of the democratic beliefs in an informed public, enlightened civic discourse, social and intellectual advancement, and participation in the democratic process." Byron Anderson, *Public Libraries*, *in* ST. JAMES ENCYCLOPEDIA OF POPULAR CULTURE 133 (Tom Pendergast & Sara Pendergast eds., 2000). In 1638, John Harvard bequeathed his collection of books to a newly established college in Cambridge, Massachusetts for the use of its faculty and students. Michael Harris,

History of Libraries in the Western World 173 (1999). Benjamin Franklin in 1731 helped establish the Library Company of Philadelphia, which allowed its stockholders to borrow its books. *Id.* at 183-84.[3] William Rind created a commercial circulating library in Annapolis in 1763, which rented books for a small fee.[4] By the end of the eighteenth century, many towns throughout the new nation had academic libraries, membership libraries, circulating libraries or church libraries. Harris, *supra*, at 202-03.

In 1800, Congress established the Library of Congress. President Thomas Jefferson appointed the first Librarian of Congress, and sold his private collection to the Library of Congress in 1815, after its collection burned during the British occupation of Washington, D.C., in the War of 1812. Harris, *supra*, at 196-97.[5] Thomas Jefferson also articulated a vision

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[3] Benjamin Franklin explained his rationale for organizing a library: "by thus clubbing our Books to a common Library, we should, while we lik'd to keep them together, have each of us the Advantage of using the Books of all the other Members which would be nearly as beneficial as if each owned the whole." Benjamin Franklin, *The Autobiography of Benjamin Franklin* 130 (Leonard W. Labaree ed., 1964).

[4] "In many ways more democratic than the subscription social libraries, the circulating libraries often allowed women to have books, featured reading rooms with long hours, and provided access to a variety of reading matter, including newspapers, popular pamphlets, and novels." Dee Garrison, *Libraries, in Encyclopedia of the United States in the Nineteenth Century* (Paul Finkelman ed., 2001).

[5] The Library of Congress circulates materials to Supreme Court Justices, Members of Congress, thousands of Congressional

(Continued on following page)

of libraries across the country providing broad public access to books. In a letter to John Wyche, Jefferson stated that "I have often thought that nothing would do more extensive good at small expense than the establishment of a small circulating library in every county, to consist of a few well-chosen books, to be lent to the people of the county under regulations as would secure their safe return in due time." Letter from Thomas Jefferson to John Wyche (May 19, 1809), *in Thomas Jefferson: A Chronology of His Thoughts* 223 (Jerry Holmes ed. 2002).

During the first half of the nineteenth century, access to books increased. Apprentice libraries were established for the use of young men migrating to the cities to help them "train for the new factory system which had been brought about by the industrial revolution." Jean Key Gates, *Introduction to Librarianship* 70 (1968). Mercantile libraries developed for the use of merchants and law clerks. School districts began to invest in libraries for their students. By 1853, New York State had created school district libraries throughout the state with over 1,604,210 volumes. *Id.* at 79. Horace Mann urged Massachusetts to follow New York's lead because he "saw the library as an essential contributor to the educational program of the school, as an invaluable aid in continuing

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employees, and other libraries (which can make the materials available to users within the library premises). The Library of Congress – Interlibrary Loan, http://www.loc.gov/rr/loan/loanweb1.html (last visited June 13, 2012).

education and in self-improvement, and an indispensable part of the cultural life of the people." *Id.* at 80.

In 1848, the Massachusetts legislature authorized the City of Boston "to establish and maintain a public library, for the use of the inhabitants. . . ." Boston Public Library – Founding Legislation, http://www.bpl.org/general/legislation.htm (last visited June 13, 2012). In the following decades, other public libraries were established, but the public library movement accelerated dramatically after 1881 through the philanthropy of steel magnate Andrew Carnegie. Carnegie said that "[t]here is not such a cradle of democracy upon the earth as the Free Public Library, this republic of letters, where neither rank, office, nor wealth receives the slightest consideration." Adam Arensen, *Libraries in Public Before the Age of Public Libraries: Interpreting the Furnishings and Design of Athenaeums and Other "Social Libraries," 1800-1860, in The Library as Place: History, Community, and Culture* 74 (John Buschman & Gloria J. Leck, eds., 2007).[6] Carnegie ultimately funded the construction

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[6] "When mention is made of the dependence of a democratic society on an informed citizenry, the American public library usually comes to mind as the instrument which has had as its fundamental purpose the serving of this crucial need." Gates, *supra*, at 91. *See also* United States Office of Education, *Public Libraries in the United States of America* iii (1876) ("[O]ur libraries will fulfill in every respect their high station as indispensable aids to public education, to the privilege and responsibility of instructing our American democracy.")

of 1,679 public library buildings in 1,412 communities across the United States. Harris, *supra*, at 246-47.

In the twentieth century, the federal government expanded its support of libraries far beyond the Library of Congress. During the Great Depression, the Works Progress Administration built 350 new libraries and repaired many existing ones. Anderson, *supra*, at 133. In 1941, President Franklin Roosevelt issued a proclamation identifying libraries as "essential to the functioning of a democratic society" and "the great tools of scholarship, the great repositories of culture, the great symbols of the freedom of the mind." Patti Clayton Becker, *Books and Libraries in American Society During World War II: Weapons in the War of Ideas* 49 (2005). Congress enacted the Library Services Act of 1956 and the Library Services and Construction Act of 1964 to provide federal funding for library construction. Currently, the Institute of Museum and Library Services, an independent federal agency, administers the Museum and Library Services Act of 1996 and its 2003 reauthorization to channel millions of dollars of federal funding annually to libraries throughout the United States. Institute of Museum and Library Services, http://www.imls.gov (last visited June 13, 2012).

II. THE SECOND CIRCUIT'S INTERPRETATION OF SECTION 109(a) UNDERMINES THE ABILITY OF LIBRARIES TO LEND BOOKS AND OTHER MATERIALS TO THE PUBLIC.

A. Americans Borrow Books And Other Materials From Libraries 4.4 Billion Times A Year.

Notwithstanding the spread of digital technology, millions of Americans check out books and other materials from libraries. The collections of the over 9,225 public libraries in the country contain 934.8 million materials of which 88.3% are printed materials, 5.7% are audio materials, 5.4% are video materials, and 1.6% are e-books. Institute of Museum and Library Services, *Public Libraries Survey Fiscal Year 2009* 10 (2010). For these materials, there were a total of 2.241 billion circulation transactions in 2009. *Id.* at 7. Per capita circulation grew by 26.1% between 2000 and 2009. *Id.*

The collections of 81,920 public school media centers contain 959 million books and 42.6 million phonorecords and audiovisual materials. National Center for Educational Statistics, U.S. Department of Education, *Characteristics of Public and Bureau of Indian Education Elementary and Secondary School Library Media Centers in the United States: Results From the 2007-08 Schools and Staffing Survey* 9 (2009). These materials were checked out 2.05 billion times during the 2007-08 school year. *Id.* at 14.

The collections of 3,689 academic libraries include 1.07 billion copies of printed materials, as well as 112 million phonorecords and audiovisual materials and 158 million e-books. National Center for Education Statistics, U.S. Department of Education, *Academic Libraries: 2010 First Look* 8 (2011). There were a total of 176 million circulation transactions for these materials in 2010. *Id.* at 4.

B. Many Of The Materials Circulated By Libraries Are In Copyright And Were Manufactured Abroad.

1. Because of the complexity of determining whether a particular work is in the public domain, it is difficult to estimate what percentage of the collections of U.S. libraries is under copyright protection. In the course of the litigation over the Google Library Project, experts estimated that roughly eighty percent of the books in U.S. research libraries were in copyright. Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 9 J. Marshall Rev. Intell. Prop. L. 227, 228-29 (2009). The collections of research libraries tend to contain more old books than the collections of other types of libraries, so an even larger percentage of the books in the public, school, and smaller academic libraries probably are still in copyright. Moreover, the vast majority of phonorecords and audiovisual materials in U.S. library collections are in copyright, given when they were created.

2. It also is difficult to determine what proportion of the collections of U.S. libraries was manufactured in the United States. In the course of the Google Library Project litigation, it was estimated that over half the books in the research libraries partnering with Google had foreign publishers. *Id.* at 321. A survey of a larger set of research libraries indicates that approximately twenty percent of the books in these libraries have foreign publishers.[7] Cumulatively, U.S. libraries hold an estimated 200 million copies of foreign published books. Posting of Ed O'Neill to Metalogue: New Directions in Cataloguing and Metadata From Around the World, http://community.oclc.org/metalogue/ (June 24, 2010, 8:29 AM).

But the number of foreign manufactured books in U.S. libraries could be far larger than 200 million. Even if a book was published by a U.S. publisher, a copy of that book may not have actually been printed in the United States. Publishing and printing are separate industries. Most U.S. publishing houses do not own their own printing presses; they outsource the printing to independent printing companies. Increasingly, these printing companies are located offshore, where labor costs are lower. Chinese companies, for

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[7] Some libraries, however, have a much higher percentage of foreign books. The vast majority of the 5 million items in the collection of the Center for Research Libraries in Chicago, for example, have foreign publishers. *See* Center for Research Libraries – Collections, http://www.crl.edu/collections (last visited June 13, 2012).

example, often advertise printing costs up to 30% to 50% lower than U.S. printing firms. Offshore printers have increased in quality in recent years, and Internet connectivity makes job submission and management easier. Press Release, Strategies for Management, Offshore Printing Gaining New Ground; Newly Published Study Analyzes the U.S. Printing Industry's Growing Competition from Print Imports (Jan. 11, 2005) *available at* http://www.prweb.com/releases/2005/01/prweb195117.htm. In a 2006 survey of book publishers, 42% said that they had worked with an overseas print provider in the previous twelve months. Press Release, TrendWatch Graphic Arts, TWGA Study Evaluates Impact of Overseas Printing On Domestic Printing Industry (August 29, 2006) *available at* http://www.labelsandlabeling.com/news/twga_study_evaluates_impact_of_overseas_print. A 2006 survey of printing firms indicated that a third had lost a domestic printing job to a foreign competitor within the previous year. Ronnie H. Davis, *Printers' Perspectives on Global Opportunities and Threats*, Economic & Print Market Flash Report, November 15, 2006, *available at* http://www.pialliance.org/21. 47% of those competitors were in China; 16% in Mexico, and 12% in Canada. Price was the major competitive factor in 88% of these lost jobs. *Id.* In a 2007 survey of printers, 56% of respondents reported that a customer had purchased print from an offshore competitor within the previous twelve months. Ronnie H. Davis, *Printer Perspectives on Global Competition and Postage Rate Increase*, Economic & Print Market

Flash Report, June 4, 2007, *available at* http://efiles.printing.org/eweb/docs/Econ/2007.06.04.FlashReport.pdf. Comparison of tariff and publishing industry statistics for 2010 indicates that more than a third of the books sold in the United States were printed abroad. *See* Harmonized Tariff Schedule of the United States § 4901 (almost 920 million books in 2010 imports); Press Release, Book Industry Study Group, New Publishing Industry Survey Details Strong Three Year Growth in Net Revenue, Units (Aug. 9, 2011), *available at* http://www.bisg.org/news-5-677-press-release new-publishing-industry-survey-details-strong-three-year-growth-in-net-revenue-units.php (2.57 billion books in 2010 total consumption).

Further complicating matters is that a U.S. printer that wins a contract from a U.S. publisher may subcontract the job to a foreign printer. Additionally, large U.S. printing companies own overseas printing facilities. Erik Cagle, *Overseas Sourcing – China: A Limited Threat*, Printing Impressions (May 2007) *available at* http://www.piworld.com/article/chinese-imports-loom-biggest-threat-us-book-printing-54444/1. The largest U.S. printing company, RR Donnelley, has facilities in 37 other countries. RR Donnelley – Locations, http://www.rrdonnelley.com/www RRD1/AboutUs/Locations/Locations.asp (last visited June 13, 2012). Thus, a book published by a U.S. publisher that hired a U.S. printer may actually have been printed abroad. Unless a copy of a book specifically states on its copyright page that it was printed

in the United States, a library has no practical way to learn where the book was printed.[8]

C. The Second Circuit's Interpretation Of Section 109(a) Deprives Libraries Of Protection From Copyright Infringement Liability For The Circulation Of Copies In Their Collections.

1. The Second Circuit interpreted the phrase "a particular copy or phonorecord lawfully made under this title" in Section 109(a) to mean a particular copy or phonorecord lawfully manufactured in the United States. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 221 (2d Cir. 2011), *cert. granted*, No. 11-697, 2012 WL 1252751 (U.S. Apr. 16, 2012). Of the three billion copies and phonorecords in the collections of U.S. libraries, over 200 million have foreign publishers, and presumably were manufactured abroad. In addition, of the copies with U.S. publishers, a large but indeterminate amount was manufactured abroad through the out-sourcing of printing to foreign firms.

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[8] Many books do not state any place of manufacture, or list multiple possible places of manufacture. WorldCat, a global catalog of library collections, lists the place of manufacture for less than three percent of the book titles it catalogs. *See* Posting of O'Neill, *supra*. Libraries do not have the resources to contact the publishers of the billions of books in their collections to inquire about place of manufacture. Publishers themselves may not have complete information concerning the place of manufacture of older books, or books published by publishers they had acquired.

Accordingly, if the Court affirms the Second Circuit's decision, the first sale doctrine may no longer apply to hundreds of millions of lawfully acquired books, phonorecords, and audiovisual materials in the collections of U.S. libraries.

2. Libraries would then have to make a difficult policy decision: do they continue to circulate materials that may fall outside of the first sale doctrine in the face of potential copyright infringement liability?[9] Libraries could attempt to rely on defenses such as

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[9] The Fourth Circuit has held that "[w]hen a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. At that point, members of the public can visit the library and use the work." *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 119, 203 (4th Cir. 1997). *Amici* library associations strongly disagree with the Fourth Circuit that making a book available for browsing and other uses on a library's premises constitutes a distribution for purposes of 17 U.S.C. § 106(3). And several district courts have criticized the theory of liability in *Hotaling*. *Capitol Records, Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1225 (D. Minn. 2008) (finding *Hotaling* is not "consistent with the logical statutory interpretation of § 106(3), the body of Copyright Act case law, and the legislative history of the Copyright Act"); *Elektra Entm't Group, Inc. v. Barker*, 551 F. Supp. 2d 234, 243 (S.D.N.Y. 2008) (finding *Hotaling* was "not grounded in the statute"); *UMG Recordings, Inc. v. Hummer Winblad Venture Partners (In re Napster, Inc.)*, 377 F. Supp. 2d 796, 803 (N.D. Cal. 2005) (finding *Hotaling* is "inconsistent with the text and legislative history of the Copyright Act of 1976"). Nevertheless, if *Hotaling* is correctly decided, the Second Circuit's rule would chill not only the lending of foreign-manufactured materials, but also the onsite use of foreign-manufactured materials.

fair use or implied license, but it is far from certain that libraries could always assert them successfully. For example, in litigation with a library that circulated a popular novel printed in Canada, the publisher might claim that three of the four fair use factors in 17 U.S.C. § 107[10] weigh in its favor: the work is a highly expressive work of fiction (factor 2); the library is lending the entire work (factor 3); and by lending its copy of the novel to dozens of readers, the library is depriving the publisher of potential sales (factor 4). The publisher might further assert that even the first

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[10] Section 107 provides:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.
>
> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

fair use factor tips in its favor because the lending does not serve any educational purpose. The library, citing *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) and *Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569 (1994), would contend that fair use permits its lending.[11] While amici library associations strongly believe that the library should prevail, it is difficult to predict with any certainty how a trial court would perform the fair use calculus.

3. Also unpredictable is the outcome of an assertion of an implied license defense.[12] If a library purchased a foreign-manufactured copy directly from the publisher or an exclusive distributor that knew it

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[11] Library lending enables the statutorily identified purposes for fair use: "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. . . ." 17 U.S.C. § 107. Library lending also falls squarely within the purpose and character listed in the first factor: "nonprofit educational purposes." *Id. See Cambridge Univ. Press v. Becker*, No. 1:08-CV-1425, 2012 WL 1835696, at *24 (N.D. Ga. May 11, 2012) (factor one "strongly favors" nonprofit educational uses). Additionally, library lending facilitates their users' exercise of their First Amendment right to receive information. *See* discussion at section III.C.1., *infra*.

[12] Because of the enormous number of rightsholders of the materials in their collections, and the difficulty of identifying these rightsholders, libraries could not afford to retroactively seek permission to lend these materials. *See* Band, *supra*, at 228-30 (discussing the transaction costs of clearing the rights for the mass digitization of books in the context of the Google Library Project). As discussed in section II.D., *infra*, libraries could obtain lending licenses for future acquisitions only at a significant cost.

was selling the copy to a library, the library might convince a court that it had an implied license to circulate the copy. The library would have greater difficulty prevailing in this defense if it purchased the book from a wholesaler or retailer that might not have had the legal authority to grant a license to lend. Moreover, the library might not have any record of who sold it the copy, particularly with copies it purchased decades ago.

4. The importation exception in 17 U.S.C. § 602(a)(3)(C) provides libraries with only limited assistance with respect to the Second Circuit's rule. This exception provides that the Section 602(a) prohibition on importation does not apply to

> importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes. . . .

This exception contains several significant limitations. First, Section 602(a)(3)(C) provides a library with no relief with respect to copies it purchased from a distributor in the United States. Libraries often purchase foreign-published materials from U.S. distributors. In addition, libraries almost always purchase U.S. published materials – which may actually have been manufactured abroad – from U.S. distributors.

Second, although the exception clearly permits a library to *import* five copies for "its library lending or archival purposes," the exception by its terms does not actually permit the library to *lend* those copies. In other words, Section 602(a)(3)(C) creates an exception to the Section 602(a) importation right, but not explicitly to the entire Section 106(3) distribution right. To be sure, an exception to the distribution right is implied – Congress is permitting the library to import the copies specifically for "library lending . . . purposes." It would make no sense for Congress to allow importation for the purpose of lending, but then not allow the lending itself. Nonetheless, a court might erroneously conclude that Section 602(a)(3)(C) does not explicitly permit the lending of the imported copies.

Third, even if Section 602(a)(3)(C) were correctly construed to permit the lending of the five imported copies, this permission would not apply to audiovisual works. The provision specifically allows a library to import "no more than one copy of an audiovisual work *solely for its archival purposes*." 17 U.S.C. § 602(a)(3)(c) (emphasis added). U.S. libraries have tens of millions of copies of audiovisual materials, many of which were manufactured outside of the United States.[13]

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[13] The existence of this exception to the importation right does not imply that the Second Circuit correctly understood the first sale doctrine to apply only to copies manufactured in the United States. As discussed below, *amici* library associations believe that Section 109(a) applies to copies manufactured with the lawful authorization of the holder of a work's U.S. reproduction

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D. Without A Clear Exception, Libraries May Hesitate To Lend Materials In Their Collections.

Although various limitations on damages apply to libraries in copyright infringement cases, these limitations in practice will provide libraries with little relief from the evisceration of the first sale doctrine proposed by the Second Circuit.[14] The sovereign immunity doctrine shelters public libraries and libraries that are part of public educational institutions from money damages liability, *see Kimel v. Fla. Bd. of Regents*, 528 U.S. 62, 66-67 (2000), but copyright owners could still seek injunctive relief against the librarians and the administrators of the educational institutions. *See Ex parte Young*, 209 U.S. 123, 159-60 (1908). Likewise, even if a court decided to remit statutory damages against a library at a non-profit private educational institution pursuant to 17 U.S.C. § 504(c)(2)(i),[15] the library would remain liable

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and distribution rights. Were the Court to adopt this interpretation, libraries would still require the Section 602(a)(3)(C) exception to import and circulate copies manufactured with the authorization of a person other than the holder of the U.S. rights.

[14] This Court's evenly divided decision in *Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010), indicated that the applicability of the first sale doctrine to foreign manufactured copies was an open question, which provided libraries with the breathing room to continue their existing circulation practices. An affirmance here will eliminate this breathing room.

[15] Section 504(c)(2)(i) provides that "[t]he court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the

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for actual damages and injunctive relief. 17 U.S.C. §§ 502, 504(a)(1).

Furthermore, as non-profit institutions, libraries have highly constrained legal budgets and must avoid the appearance of impropriety so as to retain public trust.[16] While most copyright owners probably would not sue a library for lending a lawfully acquired copy of a foreign printed book, libraries will not engage in conduct that is technically unlawful just because there is a low probability of litigation.[17]

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copyrighted work was a fair use under section 107, if the infringer was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords. . . ."

[16] *See* Deborah Gerhardt & Madelyn Wessel, *Fair Use and Fairness on Campus*, 11 N.C. J.L. & Tech. 461, 487 (2010) ("Fear and risk aversion, rather than a reflective interpretation of the law too often influence practical decisions and copyright policy."); James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 Yale L.J. 882, 882 (2007) ("Intellectual property's road to hell is paved with good intentions. Because liability is difficult to predict and the consequences of infringement are dire, risk-averse intellectual property users often seek a license when none is needed.").

[17] Alarmingly, copyright owners have begun to sue libraries for infringement notwithstanding the presence of a strong fair use defense. *See, e.g.*, *Cambridge Univ. Press v. Becker*, No. 1:08-CV-1425, 2012 WL 1835696 (N.D. Ga. May 11, 2012) (three publishers sued Georgia State University over its electronic reserve policy; only five excerpts out of 99 found to exceed fair use); *Ass'n for Info. Media and Equip. v. Regents of the Univ. of Cal.*, No. CV 10-9378 CBM (MANx), 2011 WL 7447148 (C.D. Cal. Oct. 3, 2011) (film distributor brought an infringement

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Also, given the large number of works in the collections of U.S. libraries, every library would reasonably fear that it could be sued multiple times if it continued to lend the materials in its collection. The median library in the Association of Research Libraries, for example, holds 3,697,796 volumes in its collection. Association of Research Libraries, *ARL Statistics 2009-2010* 15 (2011). If the rightsholders of only 1/100 of one percent of the volumes in its collection chose to enforce their newly broadened distribution right, the library would face over 360 copyright infringement actions. Compounding the risk for libraries is the highly visible nature of their circulation activities.

E. The Second Circuit's Interpretation Of Section 109(a) Would Increase Libraries' Acquisition Costs.

For future acquisitions, libraries might be able to adjust partially[18] to the Second Circuit's narrowing of

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action against the University of California, Los Angeles, for the streaming of films to students; copying incidental to licensed use found to be fair); Complaint, *Authors Guild Inc. v. HathiTrust*, 1:2011 Civ. 06351 (S.D.N.Y. Sept. 12, 2011), *available at* http://docs.justia.com/cases/federal/district-courts/new-york/nysdce/1:2011cv06351/384619/1/ (Authors Guild has sued a consortium of research libraries for maintaining a database of digitized books).

[18] Even for future acquisitions, a lending license will not always be available. The opportunity to license would not apply to materials donated or sold to libraries by private collectors who were not the copyright owners. Moreover, some publishers may decide not to offer libraries a lending license, on the assumption

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Section 109(a), but only at a significant cost. A library would be forced to obtain, at a substantial premium, a "lending license" whenever it acquired a copy that was not clearly manufactured in the United States.[19] The library also would need to retain meticulous records of these licenses for the duration of the term

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that library lending diverts sales. Current practice regarding electronic books suggests this is likely. *See* Alan Finder, *E-Book Borrowing, Preceded by E-Book Waiting*, N.Y. Times, April 11, 2012, at B8, *available at* http://www.nytimes.com/2012/04/12/technology/personaltech/e-books-are-easier-to-borrow-just-be-prepared-to-wait.html. ("Five of the six major publishers of trade books either refuse to make new e-books available to libraries or have pulled back significantly over the last year on how easily or how often those books can be circulated."); *see also*, *Cambridge Univ. Press*, 2012 WL 1835696 at *78 (finding that for a majority of works at issue, two university presses did not offer appropriate licensing options for educational use). It is also an open question whether the publisher, rather than the author, would hold this new lending right regarding foreign manufactured works. There is reason to doubt that publishers could even produce relevant contracts to help settle this question for many of the works they publish. *See, e.g.*, *Cambridge Univ. Press*, 2012 WL 1835696 (plaintiff publishers failed to produce relevant agreements to support prima facie infringement claim in 16 of 75 alleged infringements).

[19] Some publishers already price discriminate against libraries. *See* Christopher Hollister, *Price Inflation and Discrimination Extends to Non-STM Disciplines: A Study of Library and Information Science Journals*, 25 Current Studies in Librarianship 25, 49-57 (Spring/Fall 2001). The Second Circuit's rule would accelerate this phenomenon. Additionally, publishers could begin to include disclaimers on an implied license to lend. They also could remove statements concerning place of manufacture to create doubt among libraries even when the copies were manufactured in the United States.

of copyright protection in these works. These costs inevitably would reduce the number of acquisitions, to the detriment of the public and the copyright owners whose works the library did not purchase.[20]

The following statistics for library acquisitions demonstrate the magnitude of the burden the lending license would impose. In 2010, academic libraries purchased over 27 million books and other paper materials and 12.8 million phonorecords and audiovisual materials at a cost of almost $724 million. National Center for Education Statistics, U.S. Department of Education, *Academic Libraries: 2010: First Look* 9, 13 (2011). In 2008, public school media centers acquired 45 million books and 2.5 million phonorecords and copies of audiovisual materials for $593 million. National Center for Educational Statistics, U.S. Department of Education, *Characteristics of Public and Bureau of Indian Education Elementary and Secondary School Library Media Centers in the United States: Results From the 2007-08 Schools and Staffing Survey* 6 (2009). In 2009, public libraries purchased an estimated 77 million works at a cost of $1.31 billion. Institute of Museum and Library Services, *Public Libraries Survey Fiscal Year 2009* 129 (2011). If libraries had to pay a lending license "tax" of twenty percent of the purchase price on a third of these materials,[21] libraries would have to pay a tax of over

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[20] Alternatively, library spending could be increased – primarily at taxpayer expense.

[21] *See* discussion of the increasing levels of foreign manufacture *supra* Part II.B.

$150 million for each year's acquisitions. Of course, the publishers might demand more than twenty percent of the purchase price, and more than a third of the materials acquired each year might be foreign manufactured.[22]

F. The Second Circuit's Rule Could Harm Other Library Activities.

The Second Circuit's interpretation of Section 109(a) could adversely affect library activities beyond circulation. Libraries mount public exhibitions of copyrighted works within their collections, including photographs, maps, posters, and book covers.[23] Section 109(c) provides an exception to the public display right to the owner of a "copy lawfully made under this title." 17 U.S.C. § 109(c). If the Second Circuit's interpretation of 109(a) is applied to the same "lawfully made under this title" phrase in Section 109(c), then libraries cannot rely upon its protection to display foreign manufactured copies.

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[22] Unlike the typical tax on private entities to fund public institutions, the Second Circuit's tax would be levied largely on public institutions to enrich private entities.

[23] *See, e.g.*, *"To Know Wisdom and Instruction": The Armenian Literary Tradition at the Library of Congress*, http://myloc.gov/exhibitions/armenian-literary-tradition/Pages/default.aspx (last visited Jun. 13, 2012) (current exhibition including the display of in-copyright books published in Armenia); *Churchill and the Great Republic: Checklist of Objects*, Library of Congress, http://www.loc.gov/exhibits/churchill/wc-checklist.html (last visited Jun. 13, 2012) (2004 exhibit which contained copies manufactured in England).

Likewise, libraries participate in educational activities that rely on the Section 110(1) and (2) exceptions to the public performance and display right. However, the Section 110(1) exception does not apply to performances or displays of motion pictures or other audiovisual works "not lawfully made under this title." 17 U.S.C. § 110(1). Similarly, Section 110(2) excludes performances and displays given by means of a copy "that is not lawfully made and acquired under this title." 17 U.S.C. § 110(2). Thus, the Second Circuit's interpretation of Section 109(a) could prevent libraries from incorporating foreign manufactured copies (for example, foreign films) in their educational curricula.

III. THE SECOND CIRCUIT'S INTERPRETATION OF SECTION 109(a) IS LEGALLY FLAWED.

A. Judge Murtha's Interpretation Of Section 109(a) Would Allow Libraries To Continue Circulating Books.

Amici library associations agree with dissenting Judge Murtha's reading of Section 109(a). *See*, *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 226 (2d Cir. 2011) (Murtha, J., dissenting), *cert. granted*, No. 11-697, 2012 WL 1252751 (U.S. Apr. 16, 2012). Interpreting Section 109(a) to apply to all copies manufactured with the lawful authorization of the holder of a work's U.S. reproduction and distribution rights permits libraries to lend books to the public. For the vast majority of the foreign-published books in the

collections of U.S. libraries, the rightsholder in the country of publication probably is also the holder of the U.S. rights. As a general matter, the rights in only the most popular books get allocated among different publishers in different countries to maximize sales. Thus, most of the foreign-published books owned by U.S. libraries were manufactured with the authorization of the holder of the U.S. rights, and fall within amici library associations' suggested interpretation of Section 109(a).

Similarly, all U.S.-published books would fall within this definition; they would be manufactured with the authorization of the holder of the U.S. rights, even if they were actually printed outside the United States.

B. The Second Circuit's Rule Is Inconsistent With The Privileged Status Congress Has Accorded Libraries In Title 17.

1. Recognizing the importance of libraries, Congress has accorded them a privileged status in Title 17. In addition to benefiting from exceptions of general applicability, such as the fair use and first sale doctrines, libraries and educational institutions enjoy protections Congress has provided specifically to them. Section 108 permits libraries and archives to reproduce and distribute copies for purposes of preservation, replacement of damaged or missing copies, and interlibrary loans. Section 108(h) shortens the copyright term by twenty years for certain library uses

related to scholarship or research.[24] The House Judiciary Committee Report on the 1976 Copyright Act, in its discussion of Section 109(a), specifically refers to libraries: "[a] library that has acquired ownership of a copy is entitled to lend it under any conditions it chooses to impose." H.R. Rep. No. 94-1476, § 109, at 79 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5693. Section 109(b)(1)(A) provides libraries with an exception to the prohibition on the rental of phonorecords and computer programs. Section 110(1) allows the performance and display of works in the course of face-to-face teaching activities of educational institutions (and thus libraries affiliated with educational institutions). Similarly, Section 110(2) permits performances and displays for purposes of distance education. Section 121 allows libraries and other institutions with the primary mission of providing specialized services to the visually disabled to reproduce and distribute copies in accessible formats such as Braille. Section 504(c)(2)(i) requires courts to remit statutory damages to libraries, archives, and educational institutions in cases of innocent infringement. Section 512(e) adapts the limitations on liability for online services providers to the higher education environment. Section 602(a)(3)(C) provides organizations operated for scholarly, educational, or religious

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[24] In *Eldred v. Ashcroft*, 537 U.S. 186, 220 (2003), the Court described this provision as one of the Copyright Term Extension Act's "supplements" to the Copyright Act's "traditional First Amendment safeguards" such as the fair use doctrine and the idea/expression dichotomy.

purposes with an exception to the importation right for library lending and archival purposes. Section 1201(d) of the Digital Millennium Copyright Act (DMCA) gives libraries, archives, and educational institutions the right to circumvent technological protection measures on a copy for purposes of determining whether to acquire a copy of the work. Section 1203(c)(5)(B) allows a court to remit statutory damages to libraries, archives, and educational institutions in cases of innocent violations of the DMCA. Moreover, Section 1204(b) excludes libraries, archives and educational institutions from criminal liability for DMCA violations. Congress has adopted these exceptions over a period of almost thirty years, reflecting its deep, ongoing commitment to enabling libraries to operate in periods of rapid technological change.[25]

2. The Second Circuit's interpretation of Section 109(a) runs contrary to the privileged status granted by Congress to libraries in Title 17. The Second Circuit's rule would seriously compromise the ability of libraries to lend the materials already in their collections. For future acquisitions, libraries would

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[25] Congress included Sections 108, 110(1), 504(c)(2)(i), and 602(a)(3)(C) in the 1976 Copyright Act. Congress then added the library protections in Sections 109(b)(1)(A) in 1980 and 1990; in Section 121 in 1997; in Sections 108(h), 512(e), 1201(d), 1203(c)(5)(B), and 1204(b) in 1998; and in Section 110(2) in 2002. Similarly, "orphan works" legislation, which contained a special safe harbor for libraries, archives, museums, and educational institutions, passed the Senate in 2008. Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008).

have to acquire a lending license at substantial cost. If this Court were to affirm the Second Circuit, this Court would in essence create a European-style "public lending right." *See* Council Directive 92/100/EEC, 1992 O.J. (L346) (EU). Under public lending right regimes, libraries must compensate copyright owners in order to receive permission to lend books and other materials to the public.[26] Congress has never shown any interest in importing this alien concept to this country. It conflicts with the nearly four hundred-year history of American libraries lending lawfully acquired books without additional compensation to the rightsholder. In contrast to the Second Circuit's rule, the understanding of "lawfully made under this title" advocated by Judge Murtha and amici library associations is consistent with Congress's long-standing support for libraries.

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[26] *See* PLR International – Frequently Asked Questions, http://www.plrinternational.com/faqs/faqs.htm#recognise (last visited June 13, 2012). Depending on the country, the rightsholder is compensated on the basis of either the number of times the work is borrowed each year or the number of copies of the work owned by the library.

C. The Second Circuit's Rule Interferes With Library Users' First Amendment Right To Receive Information And Alters One Of The Fundamental Features Of Copyright Protection.

1. This Court has recognized a First Amendment right to receive information. *Reno v. American Civil Liberties Union*, 521 U.S. 844, 876 (1997). In considering the constitutionality of a school board's removal of books from a public high school library, the Court stated, "the right to receive ideas is a necessary predicate to the *recipient's* meaningful exercise of his own rights of speech, press, and political freedom." *Bd. of Educ. v. Pico*, 457 U.S. 853, 867 (1982) (emphasis in original). The Court in *Pico* faulted school board members' "attempt to extend their claim of absolute discretion beyond the compulsory environment of the classroom, into the school library and the regime of voluntary inquiry that holds sway there." *Id.* at 869. For this right to receive information to be effective, for a library's "regime of voluntary inquiry" to truly exist, libraries must be able to lend materials so that users can peruse them conveniently at their own pace. Section 109(a) allows this lending to occur. Thus, at least with respect to libraries and their users, Section 109(a) is one of copyright law's "built-in First Amendment accommodations." *Eldred*, 537 U.S. at 219. The Second Circuit's rule, however, significantly impairs the utility of Section 109(a); the rule will have a chilling effect on the ability of libraries to enable users to exercise their First Amendment right to

receive information. In contrast, the definition of "lawfully made under this title" advanced by amici library associations does not suffer from this constitutional infirmity.

2. Limiting libraries' ability to lend books and other materials to the public would alter one of the fundamental features of copyright protection in the United States. For almost 400 years, libraries in America have been lending books. Library lending predates the Statute of Anne passed by Parliament in 1710, the Intellectual Property Clause in the U.S. Constitution, the First Amendment, and the Copyright Act of 1790.[27] From its inception, U.S. copyright law has recognized the right of libraries to lend materials in their collections, regardless of where they were manufactured.

The foreign works in library collections have been particularly unconstrained by copyright. Until 1891, the works of foreign authors received no copyright protection in the United States. 1 William Patry, *Patry on Copyright* § 1:38 (2008). After the enactment of the International Copyright Act in 1891, a foreign author could receive copyright protection in the United States only if three conditions were met: 1) the foreign author's country provided copyright protection to

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[27] The framers were intimately familiar with borrowing books from libraries. Because of the high cost of books in Colonial America, libraries were a primary source of books for every level of society. *See* Harris, *supra*, at 173-84.

the works of U.S. authors; 2) the foreign author complied with the formalities of U.S. copyright law (*e.g.*, notice and deposit); and 3) the work was printed from type set in the United States, if the work was in English. *Id.* This final condition, known as the manufacturing clause, remained in effect until 1986. *Id.*

The Second Circuit's rule would alter one of the fundamental features of U.S. copyright law by inhibiting libraries from lending copies of books and other materials manufactured outside of the United States. The Court can avoid this result by rejecting the Second Circuit's rule, and instead interpreting copies "lawfully made under this title" to mean copies manufactured with the lawful authorization of the holder of a work's U.S. reproduction and distribution rights.

3. Section 109(a) should be interpreted in a manner consistent with the constitutionally mandated purpose and function of the copyright laws. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3253 (2010) (Stevens, J., concurring). This Court has declared that "[t]he primary objective of copyright is not to reward the labor of authors, but 'to promote the Progress of Science and the useful Arts.'" *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991), *quoting* U.S. Const. art. I, § 8, cl. 8. The Court has recognized that "[c]reative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other Arts." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). *See also Golan v. Holder*, 132 S. Ct. 873, 889 (2012) (objectives of the

copyright system include the "disseminat[ion of] ideas," the "diffusion of knowledge," and the "spread of . . . learning"). Because it jeopardizes library lending, the Second Circuit's interpretation of Section 109(a) clearly frustrates "the cause of promoting broad public availability of literature, music, and the other Arts" and "the diffusion of knowledge." Conversely, the definition of "lawfully made under this title" suggested by amici library associations better serves the purpose and function of the copyright laws.

D. In The Alternative, This Court Should Adopt The *Denbicare* Exception.

1. If the Court decides to affirm the Second Circuit, the Court should adopt the exception articulated by the Ninth Circuit in *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143 (9th Cir. 1996), that parties can raise the first sale defense in cases involving foreign-manufactured copies when an authorized domestic sale had occurred. Although Judge Murtha stated in his dissent that "this interpretation finds no support in the statutory text," *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 228 (2d Cir. 2011) (Murtha, J., dissenting), *cert. granted*, No. 11-697, 2012 WL 1252751 (U.S. Apr. 16, 2012), the language of Section 109(a) in fact does provide a sound basis for this understanding. The Court could interpret the word "made" in Section 109(a) as "cause[d] to exist, occur, or appear." *Merriam-Webster Dictionary* 313

(1998).[28] "Lawfully made under this title" would then mean either lawfully manufactured (caused to exist) *or* placed in commerce (caused to occur or appear) in the United States.[29]

The *Denbicare* exception would somewhat mitigate the harsh impact of the Second Circuit's rule on libraries. Libraries would have a clear safe harbor with respect to foreign made copies purchased for authorized dealers in the United States. However, the exception would apply only to copies purchased in the United States, not to copies purchased in another country. Libraries (or their agents) currently purchase many books and other materials directly from

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[28] Numerous other dictionaries provide similar definitions for the word "make." *See, e.g.*, Cambridge Dictionaries Online, Make, *available at* http://dictionary.cambridge.org/dictionary/american-english/make_3 (Last visited Jun. 5, 2012) ("to cause something to be, become, or appear in a particular way"); Oxford Dictionaries Online, Make, *available at* http://oxforddictionaries.com/definition/make?region=us&q=make (Last visited Jun. 5, 2012) ("to cause something to exist or come about; bring about"); Dictionary.com, Make, *available at* http://dictionary.reference.com/browse/make?s=t (Last visited Jun. 5, 2012) ("to produce; cause to exist or happen; bring about"). Additionally, Black's Law Dictionary defines "make" as "to acquire (something) <to make money on execution>," *Black's Law Dictionary*, Make (9th Ed., 2009).

[29] *Amici* library associations proposed this definition in their brief in *Omega*. Brief for American Library Association, et al., as Amici Curiae Supporting Petitioner, *Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423) 2010 WL 2749651 at *30. Justice Kennedy referenced it twice in the *Omega* oral argument. Transcript of Oral Argument at 23, 43, *Omega*, 131 S. Ct. 565 (2010) (No. 08-1423) 2010 WL 4412556.

foreign publishers or distributors. The *Denbicare* exception would not extend the first sale doctrine to these copies.

The *Denbicare* exception would also reduce copyright owners' incentive to move manufacturing jobs overseas. Both the majority and the dissent below recognized that the panel's interpretation of Section 109(a) could encourage copyright owners to outsource manufacturing to foreign countries so as to eliminate the secondary market in their products in the United States. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 222 n.44 (2d Cir. 2011), *cert. granted*, No. 11-697, 2012 WL 1252751 (U.S. Apr. 16, 2012); *Id.* at 227 (Murtha, J., dissenting). The dissent observed that the *Denbicare* exception would "circumvent this perpetual right" over resale for copies sold in the United States – the world's largest market – with the copyright owner's authorization. *Id.* at 228.

2. In addition to recognizing the *Denbicare* exception, the Court should frame its decision carefully so as to reduce the adverse effect on libraries and their users. The Court should find that the library exception in 17 U.S.C. § 602(a)(3)(C) applies to lending as well as importing. *See* discussion at Section II.C.4., *supra*. Additionally, the Court should indicate that the fair use doctrine permits a library to lend foreign manufactured copies if the lending does not fall within the *Denbicare* or Section 602(a)(3)(C) exceptions. *See* discussion at Section II.C.2., *supra*. Unless the Court's decision contains these three holdings, affirmance will interfere with libraries' ability to

perform their historic function of lending books and other materials to the public.

CONCLUSION

For the foregoing reasons, amici library associations respectfully urge this Court to reverse the Second Circuit's decision. Alternatively, the Court should recognize the *Denbicare* exception, and frame its decision in a manner that mitigates the damage affirmance would inflict on libraries and their users.

Respectfully submitted,

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July 3, 2012

AMICUS CURIAE BRIEF

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,

Petitioner,

—v.—

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF ASSOCIATION OF AMERICAN PUBLISHERS AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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September 7, 2012

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INTEREST OF *AMICUS CURIAE*[1]

The Association of American Publishers, Inc. ("AAP") is the major national association of publishers of general books, textbooks, and educational materials. Its approximately 300 members include most of the major commercial book publishers in the United States and many smaller or non-profit publishers, including university presses and scholarly associations. AAP members publish hardcover and paperback titles in every field, thousands of which are also published abroad (some by AAP publishers and their affiliates, some by unrelated publishers).

AAP members and their counsel played a major role in the lengthy revision process culminating in the 1976 Copyright Act, and in subsequent revisions, and can advise the Court with first-hand knowledge of the considerations that—then as now—amply justified Congress in protecting copyright by rendering infringing the unauthorized importation of copies made abroad under foreign law for the non-U.S. market, whether those copies are piratical or authorized.

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[1] The parties have consented to the filing of this brief by letters filed with the Clerk. No counsel for a party authored this brief in whole or in part, and no counsel for a party (nor a party itself) made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus* or its counsel made a monetary contribution to its preparation or submission.

SUMMARY OF ARGUMENT

The unauthorized importation of books acquired outside the United States and made under foreign law for foreign markets infringes the exclusive rights of the United States copyright owner.

The exclusive right to import copies acquired abroad is of great importance to copyright owners. Central to the ability of copyright to "promote the progress of science and useful arts" is the exercise of Congress's power to secure for limited times, to authors, the exclusive right to reproducing and distributing their works. Importation of works made abroad for the foreign market, without the authority of the U.S. copyright owner, renders those rights radically insecure, and diminishes both the value of the copyright and its power to stimulate further creation and distribution.

By prohibiting the importation of copies made abroad for foreign markets, 17 U.S.C. § 602(a)(1) protects core aspects of the exclusive distribution right. It ensures that U.S. copyright owners have, as Congress intended, the right to determine when and where to distribute their works, at what price, and with what content, including the right to do so even if they first exploited their works in markets abroad.

Petitioner's argument that the first sale doctrine in 17 U.S.C. § 109 applies to non-piratical copies made and acquired abroad so long as there has been a first sale (even if abroad) effectively neuters § 602(a)(1) and strips copyright owners of the

statutory exclusive right to import. Neither the statutory text nor the structure of these and related statutory provisions support that argument. The history of the drafting and enactment of § 602(a)(1) shows that the provision was intended to bar the unauthorized importation of copies made under foreign law for foreign use, whether piratical or authorized. Construing §§ 109 and 602(a)(1) to permit the unrestricted importation of any copies of any works previously sold once abroad is insupportable under the history and text of § 602(a)(1) and renders § 602(b) senseless. Petitioner's construction would cause a seismic shift in copyright law, supplanting the U.S. market with copies made and previously sold abroad, and severely impairing the incentives to create and disseminate copyrightable work, the quality of published works, and the vitality of domestic publishers.

ARGUMENT

THE 1976 ACT'S EXCLUSIVE RIGHT TO IMPORT REACHES NON-PIRATICAL COPIES, AND ITS LANGUAGE, STRUCTURE, AND LEGISLATIVE HISTORY PRECLUDE CONSTRUING THE FIRST SALE DOCTRINE TO EVISCERATE THAT EXPANDED RIGHT

The briefs of petitioner and his *amici* proceed as if this case concerns trade policy and consumer choice issues, rather than the proper construction of the copyright statutes that further copyright's vital ends.

According to them, the Second Circuit's opinion below will send manufacturers racing overseas for

the "Holy Grail" of essentially unlimited control over downstream sales of all copyrighted goods for their entire product life. That projection substitutes an imagined harm of which there is no evidence for the genuine harm with which Congress was concerned, and ignores the effect curtailing the importation prohibition will have on the stimulation and production of original works.

Congress enacted the pertinent statutes pursuant to its power to "promote the Progress of Science and useful Arts" by "securing for limited Times to Authors" the exclusive right to their writings. The expansion of the exclusive right to import crafted by Congress in the 1976 Act further secured those exclusive rights, as both the Second and Ninth Circuits correctly recognized. The arguments of petitioner and his *amici* would render those rights fundamentally insecure, and destroy the exclusive rights to import and distribute that the Framers contemplated and Congress has provided for.

The arguments of petitioner and his supporting *amici* would permit the unrestricted importation of any copies of any works previously sold once abroad (whether to consumers or otherwise), and devastate the Act's protections for authors, publishers, and others involved in the creative industries whose works have their principal value in copyright. For authors and publishers (as well as those involved in motion pictures, sound recordings, and so forth), the rights secured by §§ 106(3) and 602(a)(1) are not merely incidental to the Copyright Act's structure of

incentives to create original works.[2] Rather, the right to control initial distribution of original works within the United States is integral to the Copyright Act's protections designed to foster creativity for the public good. A result that effectively eliminates the right of initial U.S. distribution, and allows massive numbers of copies acquired abroad and made under foreign law for foreign markets to leak back into the United States without restraint, would be contrary to the clear language and history of § 602(a)(1), and cause U.S. copyright owners substantial harm.[3]

A. Sections 106(3) and 602(a) Provide Copyright Owners Rights Against Distinct Acts Of Infringement

1. Section 106 grants to copyright owners several exclusive rights with respect to copyrighted works, "subject to" specified limitations set forth in "sections 107 through 120." 17 U.S.C. § 106. Among these exclusive rights is the right "to distribute copies or phonorecords of the copyrighted work to the public

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[2] What is now 17 U.S.C. § 602(a)(1) was originally adopted in 1976 as § 602(a) of Title 17. We refer to the provision according to its current codification.

[3] For convenience, the copies subject to § 602(a)(1) outside the reach of § 109's first sale doctrine—copies made abroad under foreign copyright law for foreign markets—are referred to sometimes here as "works made abroad for use abroad," or "works made abroad under foreign law," without meaning to suggest that Congress's focus was narrowly on the place of manufacture.

by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3).

The distribution right is an integral component of the incentives created by the Copyright Act. By recognizing a distinct exclusive distribution right, the Copyright Act ensures that, in addition to preventing unauthorized reproductions of copyrighted works, an owner may prohibit unauthorized exploitation of such works through public distribution. "[G]ranting the distribution right is a necessary supplement to the reproduction right in order fully to protect the copyright owner." 2 Melville B. Nimmer & David Nimmer. NIMMER ON COPYRIGHT (2012) § 8.12[A], at 8-157.

Section 106(3) does more than supplement the right to control reproduction. Limits on distribution are independently valuable. "It would be anomalous indeed if the copyright owner could prohibit public distribution of his work when this occurred through unauthorized reproduction, but were powerless to prevent the same result if the owner's own copies (or copies authorized by him) were stolen or otherwise wrongfully obtained and thereafter publicly distributed." *Id.* at 8-156 to 8-157. The § 106(3) right encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985). Subject to statutorily enumerated limitations, the distribution right gives a copyright owner the exclusive right to control distribution of legitimate as

well as pirated copies, and prevents others from distributing legitimate copies of copyrighted works without the owner's consent.

2. Evidently deeming the exclusive distribution right insufficient to meet the needs of copyright owners, Congress has for more than a hundred years supplemented that right with a freestanding right to prevent unauthorized importation. Until the 1976 Act, protection against importation was limited to piratical copies (that is, copies created without the authorization of any relevant copyright owner). To protect the ability of copyright owners to serve both the U.S. market and markets abroad, Chapter 6 of the 1976 Act went further, enacting inter-related provisions extending past piratical copies to authorized copies made abroad generally. As the text of § 602(a) makes plain and as confirmed by the legislative history discussed below in Point B, the broad exclusive right to import protects owners from having their U.S. markets supplanted by copies aimed at and previously sold in foreign markets, and then collected and resold en masse in the U.S. as petitioner did. By expanding the exclusive right to import to reach non-piratical copies, Congress protected the ability of copyright owners to serve the U.S. market without being constrained by prior sales in foreign markets.

As the text and legislative history make plain, Congress conferred a broad right of action against imports of copies acquired outside the United States made under foreign law, whether those copies are

piratical or authorized ("lawfully made"). Section 602(a)(1) makes infringing any importation "without the authority of the owner of copyright under this title" of "copies . . . that have been acquired outside the United States." In addition, Congress authorized the U.S. Customs and Border Protection to exclude piratical copies, and to notify copyright owners of the attempted importation of lawfully made copies so as to arm copyright owners whose exclusive importation right is being infringed with information enabling them to bring infringement suits seeking injunctive relief. 17 U.S.C. § 602(b).

As recognized in *Quality King Distrib., Inc. v. L'anza Research Int'l*, 523 U.S. 135, 145 (1998), § 602(a)(1) prohibits acts that are distinct from acts of unauthorized distribution. The § 106(3) exclusive distribution right allows a copyright owner to prevent the unauthorized distribution of copies "to the public by sale or other transfer of ownership, or by rental, lease, or lending." *Id.* at 143. By contrast, on its face, § 602(a)(1) provides a right of action against unauthorized importation—whether or not those copies have previously been distributed or sold or are in the course of being sold, and whether or not possession of or control over those copies has ever changed.

Importation, by definition, entails the carrying or transfer of copies across borders. See BLACK'S LAW DICTIONARY (6th ed. 1990) at 755 ("Importation – The act of bringing goods and merchandise into a country from a foreign country") (citing *Cunard S.S.*

Co. v. Mellon, 262 U.S. 100 (1923)). It would cover, for example, the shipping to the U.S. of copies acquired abroad by an industrious reseller, or by an individual like Kirtsaeng, even if there had not yet been any dissemination of those copies to the American public (which would be required for infringing distribution under § 106(3)). There may have been, but need not be, a prior sale, transfer of possession, or other distribution. *See* H.R. Rep. No. 1476, 94th Cong., 2d Sess. 170 (1976) (§ 602(a) allows actions against unauthorized importers of goods acquired abroad "even before any public distribution in this country has taken place"); S. Rep. No. 473, 94th Cong., 1st Sess. 152 (1975) (same).

The basic rules of construction that require meaning to be accorded to every statutory provision—in addition to the legislative history addressed below—make plain that in enacting § 602(a)(1), Congress was seeking to reach conduct not reached under § 106(3) alone. Otherwise, there would have been no need for authors or publishers to reach agreement to seek, or for Congress to grant, the broad protection against importation covered by § 602; § 106(3) would have sufficed. Section 602(a) further secures copyright owners' exclusive rights, and enhances the value of their U.S. copyrights, by adding another weapon (beyond the distribution right) to the copyright owner's arsenal—the right to prevent unauthorized importation of copies before they even cross the border for distribution to third-party U.S. vendors or purchasers.

If, for example, Salman Rushdie publishes a novel initially in England and India that sells one million copies, which a second Kirtsaeng snaps up and exports to Costco and Wal-Mart in the U.S. in an attempt to fulfill all the demand in the U.S., that importation would be wrongful under § 601(a)(1), "an infringement of the exclusive right to distribute copies . . . under Section 106, actionable under Section 501."

B. Section 602(a) Expands, Strengthens, and Protects Core Aspects Of The Exclusive Distribution Right.

The construction of § 109 adopted by the Second Circuit and virtually all prior courts,[4] and contended for by book publishers and others, results not from any quest for the "Holy Grail" (in Kirtsaeng's words, "the power to lock up, extract exorbitant rents from, or discriminate in any secondary market"), as Kirtsaeng charges. This case is not about extravagant hypotheticals of complete control, but about whether publisher's traditional abilities to protect against exploitative importation will be preserved, or effectively eliminated. Preventing unauthorized importation and distribution of copies made abroad is fundamental to preserving the exclusive rights that copyright affords to authors and publishers, which necessarily enable them to control the timing, content, packaging, pricing, and (in some instances) quality of their releases to the American

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[4] *See* Respondent's Brief at 35-38 (citing cases).

public—*i.e.*, the crucial choices of when, where, and in what form first to publish a work integral to the § 106(3) right. *Harper & Row*, 471 U.S. at 564.

1. Timing

Publishers (and others who fund and arrange for the distribution of copyright-based products) often follow a pattern of sequential release across geographic markets and formats. "Staggered" release dates enable copyright owners to coordinate and maximize pre-release publicity for anticipated distributions within particular regions. Distribution of a book or sound recording may be launched initially in a pertinent market abroad, and then subsequently in the U.S. so that national release may coincide with a U.S. publicity "tour" by the author or recording artist.

Staggered release may also serve to create a popular "buzz" or crescendo of demand before the recording is released in the large U.S. market. A book may be initially distributed in the United Kingdom, with U.S. distribution occurring if and after international demand reaches a particular level. Or highly anticipated U.S. works may be first released outside the U.S., such as the initial release of "Marvel's The Avengers" in Europe and elsewhere, to diminish incentives for international piracy. Differences in seasonal timing involving the start of the "fall" semester in the southern and northern hemispheres may create the need for timed release of college textbooks.

Parallel import of copyrighted works acquired abroad interferes with copyright owners' ability to exploit their works within a region through control over when a work is first distributed and through coordination of the initial distribution with pre-release publicity. The importation of copies made and acquired abroad undermines the copyright owner's exclusive right to control the manner and timing of their U.S. distribution.

The problem is particularly heightened for works that follow a sequential distribution pattern for different formats or media, as well as for different geographic markets. The release of hardback and paperback versions is routinely staggered. A work first distributed or released abroad may progress to paperback version in that market while the title is still in hardback domestically. Parallel imports of paperback versions interfere with the U.S. copyright owner's right to exploit fully the "window" for hardback release.

2. Pricing

Parallel imports also undermine copyright owners' ability to exercise their right to control the pricing of their works, a critical component of the distribution right. Wide price variations between domestic and international markets for copyright-based products are important and necessary for copyright-based industries to exploit their products internationally, to further develop international markets, and to mitigate the potential piracy that

would result were such works not available in local markets at local prices. Such price variations are the result of local demand, local ability to pay, local taxes, local regulations and international treaty obligations, local manufacturing and distribution costs, piracy concerns, and local infrastructure.

As copyright-based industries enter and develop new markets, they price products to make them attractive to local consumers, while permitting the industries to generate positive net income. This pricing structure is made economically viable by the relatively low marginal cost of creating additional copies of copyrighted works compared to the significant expense of creating the work itself (together with its initial production costs, editing, layout, etc.). Some publishers—in order to make products affordable in local markets, encourage education, discourage piracy, and build literacy and good relations—may create special editions of textbooks at lower prices for foreign markets. (For example, some textbooks created initially for the U.S. higher education market are sold in cheaper editions, with different paper, few colors, less illustrations, etc., for markets in India and China).

By strategically pricing products, copyright-based industries encourage local demand and development of local infrastructure for such products. This has at least two significant benefits. First, it encourages further creative activity by promoting markets from which copyright owners, which have made a significant investment in producing works, can

recoup such investment. Strategic pricing serves one of the fundamental purposes of the Copyright Act—to promote creative expression by allowing copyright owners to realize economic benefit from their creations. Second, development of local demand for copyrighted works promotes the wide dissemination of copyrighted works. Strategic pricing serves the principal purpose of the Copyright Act—"promoting broad public availability of literature, music, and the other arts" and thus creates a private incentive "to stimulate artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

The downside to the variation in pricing between the domestic and international markets is that it incentivizes third parties to export to the U.S. copies made (and perhaps distributed) under foreign law abroad, thus invading the copyright owner's exclusive right to distribute in the United States. The incentive and ability to exploit price differentials through cross-border movement of copies is likely to only increase in the future, as language barriers throughout the world continue to erode, and English increasingly becomes a lingua franca.

Importation and distribution of copies acquired at reduced prices abroad derogate from the Copyright Act's mandate of enabling the copyright owner to control the pricing and distribution of works.

3. Content

Because of the varying cultural appeal of many copyright-based works, owners may distribute their works with varying content in different national markets. Due to censorship, threatened boycotts, or marketing considerations, a title in one market may have varied content from the U.S. release. A short story collection released in England may contain a work about abortion that might effectively prevent its use in schools in South Dakota or Kansas. A compact disc released in a foreign country may contain different or additional "tracks" than a similar recording by the same artist released in the United States. Yet if the price differential is sufficient, versions released for foreign distribution will likely be imported to undersell similar copyrighted works distributed domestically. Importation of copies intended for audiences abroad interferes with the copyright owner's creative decision concerning what to distribute in a given market and displaces sales benefitting U.S. copyright owners.

C. Plain Language and Structure.

Over-reading § 109 without much attending to § 602 is like presenting Hamlet without the ghost. The wrong complained of is actionable under § 602(a)(1) and § 501, and analysis necessarily begins by asking first what § 602(a)(1) means, not what § 109 means. Unfortunately, Kirtsaeng reads a latent ambiguity into the importation prohibition where there is none. But careful attention to the

structure of § 602(a)(1) and § 501 and review of the legislative history underlying § 602(a)(1) makes plain that Congress intended it to have the broad reach its plain text commands, providing copyright owners with protection, absent *their* consent, from the importation of copies—whether piratical or not—acquired abroad and made under foreign law for use abroad.

The structural evidence from 17 U.S.C. § 501. In § 501, Congress treated unauthorized importation as an infringing act distinct from the violation of § 106 rights:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A (a), *or who imports copies or phonorecords into the United States in violation of section 602*, is an infringer of the copyright or right of the author.

That § 501's infringement cause of action treats importation separately from distribution argues for the inapplicability of § 109 to a claim for infringing importation, as Justice Stevens' opinion in *Quality King* noted. 523 U.S. at 145-46. Pointing in the same direction is the text of § 109, which specifies that it applies "notwithstanding the provisions of section 106(3) . . . ." Congress could have, but did not, specify that § 109 applies "notwithstanding the provisions of § 106(3) and § 602," or that § 602(a)(1) is "subject to" § 109. Instead, § 109 applies "notwithstanding the

provisions of section 106(3)" alone, and does not include "importing" among the actions (selling or disposing of possession) that the owner of a copy "lawfully made under this title" may take.[5] *Id.* at 136-37.

The structural evidence from 17 U.S.C. § 602(a)(3). Additional evidence is supplied by the express exceptions Congress crafted.

Had the first sale doctrine generally applied to imported copies, as Kirtsaeng contends, those exceptions would have been unnecessary. Indeed, all three carefully crafted exceptions (for governmental use, scholarly and educational use, and the so-called "suitcase exception") involve previously sold copies, but only a small subset of them.

Congress's exceptions open the § 602(a)(1) gate only slightly, not the wide breach for previously sold copies that the arguments of Kirtsaeng and its *amici* would entail. Adoption of Kirtsaeng's construction of § 109 would effectively make those three exceptions surplusage.

Of course, the fact that it has become easier today using the Web to seek and import books from foreign

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[5] We recognize that *Quality King* rejected an argument that the first sale doctrine is categorically inapplicable to imported copies. The Court need not revisit that issue to affirm here. But since *Quality King* involved goods made in the U.S. (which then made a round trip abroad), it plainly did not decide that the first sale doctrine applies to copies acquired abroad made under foreign law.

sources cannot legalize the practice nor detract from enforcing the law as Congress intended; but that increased ease does magnify the potential harm. In view of Congress's consideration of the harm to copyright threatened by widespread importation of copies made under foreign law, and provision of exceptions to avert any resulting inconvenience to individuals or even the Government and certain institutions, there is no justification for displacing Congress's choices by a construction of § 109 that would effectively neuter § 602(a)(3) and make its "Exceptions" redundant.

The use of "under this title" in 17 U.S.C. § 602.

Petitioner's proposed construction gives the "under this title" clause no meaning at all, and turns it into surplusage; the provision would mean the same (according to petitioner) with or without that phrase. Justice Ginsburg's concurring opinion in *Quality King*, the Ninth Circuit's opinion in *Omega S.A. v. Costco Wholesale Corporation*, 541 F.3d 984 (9th Cir. 2008), and the Second Circuit's opinion in this case all cogently and correctly show why the phrase "under this title" in 109 renders the first sale doctrine inapplicable to copies made under foreign law (*i.e.*, made abroad for use within markets abroad, unlike the copies in *Quality King* that were made in the United States). Justice Ginsburg's concurrence expressly emphasized that *Quality King* decided only that copies made in the U.S., which had taken a "round-trip," were "lawfully made under" title 17 and

therefore subject to § 109. As the United States wrote in its invitation brief in *Costco* (at 12),

> Respondent's wristwatches were neither "lawfully" nor unlawfully "made under [Title 17]" because they were not "made under" Title 17 at all.

See also Quality King, 523 U.S. at 147 (recognizing that §602(a) applies to "a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead under the law of some other country.")

The works of John Updike or Philip Larkin, licensed to a British publisher for reproduction and distribution in the United Kingdom, are "lawfully made" under UK copyright law. It would be extremely odd to characterize copies made for British markets under that license as "lawfully made under this title"—that is, under Title 17, as *Quality King* itself noted. It seems inapt to categorize copies produced in the U.K. for the U.K. and European market by the UK copyright owner, or under its license, as "lawfully made under U.S. law," which has no application whatever.[6] Any right to authorize

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[6] An example from a related field shows how odd and unnatural Kirtsaeng's analysis is. If a pharmaceutical company in the United States developed a drug for which it obtained the right to manufacture and market in France but not yet in the United States, its authorization to a French pharmaceutical house would not make the drug "lawfully made under" U.S. law.

reproduction or distribution in the U.K. arises under U.K. copyright law, not "under" Title 17.

What the dissent below, Kirtsaeng, and his allies have all failed to note is that the central portion of the phrase "lawfully made under this title" from § 109 is also used in § 602, where it unmistakably is used in the service of creating a meaningful exclusive right of importation for the U.S. copyright owner. Section 602(a) makes infringing the "importation into the United States, *without the authority of the owner of copyright under this title*, of copies or phonorecords of a work that have been acquired outside the United States." Congress used the "under this title" clause in § 602(a) to give the owner of the U.S. copyright the exclusive right to import (or what is the same thing, to preclude importation).

Whoever else throughout the world owns the copyright under the law of other nations, only the "owner of copyright *under this title*" controls the exclusive right to import into the U.S. copies "that have been acquired outside the United States . . . ." Ownership of the U.S. copyright is the only basis for authorizing importation into the U.S. Neither § 602 nor any other provision grant the owner of a copyright under any foreign law the authority to import copies into the U.S. without the consent of the U.S. copyright owner.

Kirtsaeng's statutory argument leads to the untenable conclusion that Congress used "under this title" in § 602 to exactly the opposite purpose that it

used the same phrase in § 109. Under Kirtsaeng's view, what Congress gave to copyright owners by using "under this title" in § 602, it simultaneously took away in § 109.

By contrast, noting the relationship of the two uses of "under this title," and treating Congress's decision to use the same phrase as deliberate ,illuminates the relationship of the two provisions. It would be odd in the extreme if Congress, having used "under this title" in § 602 to give the U.S. copyright owner the exclusive right to import, used the same phrase in § 109 to weaken that right fatally. Yet Kirtsaeng's argument is exactly that: under its reasoning, any grant by the "owner of copyright under this title" of a right to make copies in any of hundreds of countries abroad—no matter how hedged by contractual restrictions—necessarily entitles that foreign licensee to export those copies to the United States "without the authority of the owner of copyright under this title . . . ," and regardless of contractual restrictions.

The structural evidence from 17 U.S.C. § 602(b).

Section 602(b) provides that:

> In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has

> no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.

Differentiating between the two different kinds of infringing importation, Congress enabled the Customs service itself to block piratical copies, while for non-piratical copies the role of the Customs service was to provide necessary information to copyright owners so that they could, if so advised, seek injunctive relief in court. The unmistakable point of providing that information was to empower owners to bring actions for injunctive relief "where the copies or phonorecords were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights." H.R. REP. NO. 94-1476, at § 602 (1976); S. REP. NO. 94-473, at § 602 (1975).

According to the Reports, although "the mere act of importation in this [latter] situation would constitute an act of infringement and could be enjoined. . . in cases of this sort it would be impracticable for the United States Custom Service to attempt to enforce the importation prohibition . . . ." *Id.* Instead, the

Custom Service was authorized to create a notification process enabling owners to obtain judicial relief to exclude even copies "lawfully made." *Id.*

If Kirtsaeng were correct that non-piratical copies are subject to importation under the first sale doctrine notwithstanding § 602 (a), however, the last sentence of § 602(b) is effectively pointless, mere surplusage.

D. Legislative History

This Court has repeatedly relied on the lengthy and unusually thoughtful legislative history of the 1976 Copyright Act, which reflects a series of compromises and judgments made jointly by creators, publishers, and other affected participants.[7] The legislative history of § 602(a) confirms that

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[7] E.g., *Feist Publ'ns, Inc. v. Rural Tel. Servs. Co.*, 499 U.S. 340, 357, 359-60 (1991); *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 743 (1989); *Harper & Row*, 471 U.S. at 552; *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159-61 (1985); *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). As the Court noted in *Reid*, where it unanimously relied on the Act's legislative history, the Act "was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress." 490 U.S. at 743. That history is particularly telling where, as in *Reid* and this case, the "lengthy history of negotiation and compromise which ultimately produced the Act" reflects clearly and without contradiction that only one of the positions argued before the Court is faithful to the statutory language and the clearly documented intentions of those engaged in the drafting process. *Id.*

Congress intended to make unauthorized importation of works acquired abroad (and made abroad for foreign use) infringing of copyright, regardless of whether the goods were piratical or authorized.

The legislative history shows both the drafting and the adoption of critical language that was clearly intended to protect against the unauthorized importation of any quantity of product—whether licensed or unlicensed, whether piratical or genuine.

Before the 1976 Copyright Act, there was no restriction on the importation of copies manufactured without the authorization of the United States copyright holder. The prior law, §106 of the 1909 Copyright Act, had simply offered the narrow prohibition of the "importation into the United States . . . of any piratical copies of any work copyrighted in the United States . . . ." Act of Mar. 4, 1909, ch. 320, § 30, 35 Stat. 1075, 1082 (1909). In order to constitute a piratical copy, it had to be shown that the rights of the copyright owner had been contravened not only as to importation but also as to production. *See* Staff of House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on General Revision of the U. S. Copyright Law*, at 212 (Comm. Print 1963) [hereinafter Discussion on Report of the Register (Part 2)].

In 1961, the Register of Copyrights issued its report for a revision of the copyright law,

recommending that the provision dealing with the importation of piratical copies should not be changed to cover the copies of books that are imported in contravention of the territorial rights of a U.S. publisher. *See id.* at 193-194. The Register reasoned that extending the ban to include authorized copies would "impose the territorial restriction in a private contract upon third persons with no knowledge of the agreement." *See* Staff of House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*, at 126 (Comm. Print 1961) [hereinafter Report of the Register (Part 1)].

The Register was acutely aware of the harms caused by these unauthorized imports, of the difficulties publishers had in enforcing territorial limitations, and of the obvious solution of extending the import ban on piratical copies to cover those unauthorized copies. *See* Report of the Register (Part 1), at 125-126 ("When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries. It has been suggested that the import ban on piratical copies should be extended to bar the importation of the foreign edition in contravention of such an agreement.") But at that early date the report suggested that agreements to

divide territorial markets were "primarily a matter of private contract." *See* Discussion on Report of the Register (Part 2), 194 (statement of Barbara Ringer, Copyright Office).

Publishers quickly rejected the idea that a contract remedy was adequate. *See* Discussion on Report of the Register (Part 2), 212-213 (statement of Horace Manges, American Book Publishers Council, Inc.) ("When a U.S. book publisher enters into a contract with a British publisher to acquire exclusive U.S. rights for a particular book, he often finds that the English edition, for instance, of that particular book finds its way into this country. Now it's all right to say, 'Commence a lawsuit for breach of contract.' But this is expensive, burdensome, and, for the most part, ineffective. The copyright law provides a remedy here . . . ."). Instead, they and their allies insisted that protection had to come from copyright law, and that a statutory fix was needed to expand the exclusive right to bar importation. *See id.* at 232 (joint comment of American Book Publishers Council, Inc. and American Textbook Publishers Institute) ("Where a foreign publisher agrees with a U.S. publisher not to sell his edition of a particular book in the United States, it often happens that, in contravention of such an agreement, the book finds its way into the United States to the detriment of the American publisher . . . . [T]he problem of protecting the U.S. publisher in a situation such as outlined above, could be met if the definition of piratical copies were broadened . . . then copies imported into

the United States in violation of a territorial agreement such as described above, having been so imported in contravention of the rights of the copyright proprietor (even though legally produced), would be piratical copies and therefore not importable."); *id.* at 275 (comment by Walter Derenberg) ("I would favor an express recognition in the proposed new bill of the principle of territoriality of copyright. In other words, I would be in favor of extending the import ban on piratical copies to genuine foreign printed books which are sought to be imported into the United States without the consent of the U.S. copyright proprietor . . . . I do not quite share your reluctance 'to impose a territorial restriction in a private contract upon third persons with no knowledge of the agreement.' . . . I can see no reason why a territorial assignee of the copyright should be deprived of this avenue of protection."); *id.* at 327 (Horace Manges) ("I would favor the above-quoted suggestion in your report 'that the import ban on piratical copies should be extended to bar the importation of the foreign edition in contravention of such an agreement.' Such a ban would serve to solve the above-mentioned importation problem by prevention instead of having to depend upon the more costly and otherwise less desirable method of resorting to a burdensome application for an injunction, and probably after some damage has already occurred").

In light of these discussions, the 1964 preliminary draft prepared by the Copyright Office reversed

the Register's previous recommendation and extended the importation right to cover piratical and authorized copies alike:

> §44. Importation of Infringing Copies or Records
>
> (a) Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35.~

Staff of House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision, Part 3, Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft*, at 32 (Comm. Print 1964).

This provision of the preliminary draft was expressly described as encompassing "the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." Staff of House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law*, at 203 (Comm. Print 1964)

[hereinafter Further Discussions on Preliminary Draft (Part 4)] (statement of Abe Goldman, Copyright Office); *see also id.* at 205-206 (statement of Sydney Kaye, Broadcast Music, Inc.) ("'[P]iratical copies' has been defined, even under the present § 106, as meaning a work which is both illegally produced and imported. It does not apply to works legally produced in Europe, and the present statute does. That is the enlargement to which I am referring.")

The preliminary draft sparked discussions and comments from publishers that focused on this new protection of the U.S. publishers' exclusive right to control the importation of copies made abroad that were authorized under foreign law. Seeking clarification of the precise scope of the expanded protection, Harriet Pilpel, representing authors, questioned the meaning of "the owner of the exclusive right to distribute copies or records under this title," asking:

> PILPEL: . . . I don't know what "the owner of the exclusive right to distribute copies or records" really means, since there will be several owners of several exclusive rights to distribute copies or records. One such owner might be the British publisher. Another owner might be Time, Inc. as when they published "The Old Man and the Sea" in *Life Magazine*, and another owner might be Harper and Row Publishers if they publish the book version

> of what has first appeared in a magazine, and so forth and so on.
>
> In the first place, don't you have to say "the owner of an exclusive right," or change it in some other way to make it clear? In the second place, don't you mean to limit it to the owner of an exclusive right in the United States?
>
> GOLDMAN: We also mean to limit it to the owner of the exclusive right to distribute the kind of copies that are being brought in.
>
> PILPEL: Well then, that ought to be stated, because otherwise it sounds like one owner of one exclusive right.
>
> GOLDMAN: Isn't that implied?
>
> PILPEL: It doesn't seem implied to me.

Further Discussions on Preliminary Draft (Part 4), 212-213 (statements of Harriet Pilpel and Abe Goldman).

Irwin Karp, speaking for authors, also noted that the new provision would apply to authorized copies, not just piratical ones:

> KARP: [Under this section] importation of copies that were legally made in the first place becomes infringement if the copies are imported without the authority of the owner of the exclusive right to distribute copies. How far down the line of

distribution will this extend? If a bookseller buys copies from a jobber who legally bought them from a German publisher, would he be guilty of infringement?

In other words, some American importer buys from a German jobber, who legitimately bought the copies from the German publisher, who had authority to make and sell them. Then he sells them into the United States, and the American importer then sells them to a retail bookseller, and the retail bookseller sells one of these copies. Would that be an infringement under this section?

GOLDMAN: I should think the result of this section would be that anybody who imports without authority into the United States for the purposes of distribution to the public would be an infringer.

***

KARP: . . . If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?

GOLDMAN: I would suppose that the whole answer depends on whether the distribution would take place in the United States would itself constitute an

> infringement of copyright. When you apply this rule about the effect of the first sale of a copy exhausting the right to control the further distribution of that copy, your question would be whether this represents a sale of the copy that does exhaust the right.
>
> KARP. You are right, Abe.
>
> GOLDMAN: This could vary from one situation to another, I guess. I should guess, for example, that if a book publisher transports copies to a wholesaler, this is not yet the kind of transaction that exhausts the right to control disposition.

Further Discussions on Preliminary Draft (Part 4), 210-211.

On July 20 and August 12, 1964, the 1964 Revision bill was introduced in the Senate and the House, respectively. The pertinent provisions stated:

> §44. Infringing importation of copies or phonorecords.
>
> (a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work for the purpose of distribution to the public is an infringement of the exclusive right to distribute copies or phonorecords under section 5; actionable under section 35.

Staff of House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments*, at 25-26 (Comm. Print, 1965).

The identical language of §44(a) of the 1964 Revision Bill was carried over to the 1965 Revision Bill as §602(a). *See* Staff of House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 1965 Revision Bill*, at 292 (Comm. Print 1965) [hereinafter Supplementary Report of the Register (Part 6)]. The Register's Supplementary Report on the 1965 Revision Bill specifically articulated a situation, covered by § 602(a), where "the copies or phonorecords were lawfully made but their distribution in the United States would violate the exclusive rights of the U.S. copyright owner. This would occur, for example, where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." Supplementary Report of the Register (Part 6), at 149-150.

The 1965 Revision Bill also included within § 602(a) an exception for the importation "by an organization operated for scholarly, educational or religious purposes and not for personal gain, with respect to copies or phonorecords intended to form a part of its library." *Id.* Due to criticisms, however, the exceptions were further limited to only three specific examples: (1) importation for governmental

use other than in schools (but "not including copies of any audiovisual work imported for purposes other than archival use"); (2) importation for personal use of no more than one copy or phonorecord of a work at a time, or of articles in the personal baggage of travelers from abroad; or (3) importation by non-profit organizations "operated for scholarly, educational, or religious purposes" of "no more than one copy of an audiovisual work solely for its archival purposes", and no more than five copies or phonorecords of any other work for its library lending or archival purposes. *See* H.R. Rep. No. 89-2237, 167 (1966). There were no other reported discussions about any other exceptions to the provision.

Ultimately, the language of § 44(a), as settled in the 1964 Revision Bill, was enacted twelve years later without change as § 602(a) of the 1976 Copyright Act. *See* Pub. L. 94-553, Title I, §101, Oct. 19, 1976, 90 Stat. 2589. As summarized by the House Report accompanying the bill, "Section 602(a) first states the general rule that unauthorized importation is an infringement merely if the copies or phonorecords 'have been acquired outside the United States' but then enumerates three specific exceptions . . . ." H.R. Rep. No. 94-1476, 169 (1976). The Report also confirmed that "[i]f none of the three exemptions applies, *any* unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of

them, even before any public distribution has taken place." *Id.* at 170 (emphasis added).

Thus, although the Register had been initially reluctant to enlarge the prohibition of importation from piratical copies to include all unauthorized imports, the history of the development of what became § 602(a) makes it unmistakably clear that that provision was intended and drafted to reach "any" copies acquired abroad made under foreign law, piratical and authorized copies alike. The argument of Kirtsaeng and his allies destroys that accomplishment, ignores that history and the text that resulted from it, and attempts to restore the law to the limited application to piratical copies that it was the very purpose of § 44 to expand.

E. Kirtsaeng's Proposed Construction Would Cause Copyright Owners and the Public Substantial Harm

1. Construing § 109 as Kirtsaeng urges would substantially harm the publishing industry, authors, and the public.

Most educational publishers currently print at least two different editions of their textbooks—one for domestic distribution and one or more for international distribution. The domestic editions are often printed in the United States using high quality products and binding and are bundled with supplemental materials including teaching aids and online resources. State and local regulatory requirements also add additional costs.

International editions, on the other hand, are priced based on what purchasers in the intended market can afford. For many works (although not all), production quality is significantly reduced to keep production costs low. To create a textbook for sale in India, for example, publishers might reduce costs by using lower quality paper and covers, removing color images, and using inferior bindings.

Construing § 109 to change what has been understood as the law since its enactment—to make the importation of non-piratical books made under foreign law for foreign markets not infringing—would have precisely the consequence any economist would expect. Copies of foreign editions would be imported en masse, by large campus-based bookstores, Internet resellers, and others. Domestic editions would quickly lose market share to resold international editions, which can be half or a quarter of the price of the domestic editions. Revenues from the huge domestic U.S. market would be diverted from copyright owners to resellers of cheap foreign copies like Kirtsaeng and Costco. The loss of revenue from domestic editions would drastically reduce the ability of publishers to compensate authors for their work, invest in the preparation and publication of new works, and lead to significant changes in publishers' business models, which, in turn, will cause ripple effects beyond the publishing industry.

The educational publishing industry relies on the revenues from the sale of domestic editions to support the extensive research and development

necessary to ensure that the information in textbooks is current and accurate. Development costs are large; it may take three years to develop a new textbook, which will be rigorously researched, tested, and reviewed throughout that period. Development is the most expensive part of the process of creating new or revised texts, and is vital to ensuring that the published works contain the most current and accurate information, in the most usable form.

The development phase is funded by the profits from the sale of the domestic editions of the textbooks. The revenue from the international editions cannot and does not fully support the rigorous and time consuming development process currently in place. A decline in profit margins occasioned by adoption of Kirtsaeng's argument would mean that textbooks will be published less frequently, publishers will be less willing to include new or developing research, and the books will not be vetted to their current rigorous standards. Less time will be devoted to the testing and review of books. Quality would suffer in multiple respects. Given the harm that foreign editions could cause, the result might be an unfortunate increased focus on domestic editions alone.

More fundamentally, decreased margins (and diversion of sales for foreign copies) would also predictably decrease the royalties and advances that authors currently receive, reducing the incentives to new works for both authors and publishers. If fewer academics are willing to engage in the labor-inten-

sive process required to write a textbook, textbook quality will suffer.

2. Kirtsaeng's argument leaves § 602(a)(1) with virtually no role to play.

Notwithstanding what looks like a powerful tool against importation of copies into the U.S. for sale without the copyright owner's permission, the "lawfully made under this title" clause in § 109 is so broadly construed by petitioner and his *amici* that the owner of the U.S. copyright could not block the importation of any copies licensed by the U.S. copyright owner for manufacture and use abroad, no matter how tightly its contracts and licenses were drawn.

To the great harm of domestic U.S. publishers, exploitation of developing markets would come at the price of effectively surrendering the exclusive right to import and sell within the U.S. If a publisher creates a textbook in the U.S. and then licenses a publisher in India to publish the book for Indian students as well, § 602(a)(1) would be trumped by § 109(a), even though the history underlying § 602(a)(1) makes plain beyond dispute that Congress made infringing the importation of not only piratical but also licensed copies.

Kirtsaeng contends that interpreting § 602 any other way would spell certain doom for everything from libraries and museums to used book stores and neighborhood garage sales, even the Salvation Army. As Kirtsaeng tells it, every American manufacturer

will hasten overseas in search of "the manufacturer's Holy Grail—the power to lock up, extract exorbitant rents from, or discriminate in any secondary market . . . ." Petitioner Br. at 4. Anyone reselling *anything* —used cars, electronics, books, movies, CDs, videogames, etc.—would, according to petitioner, need to first secure a license from the respective copyright owner, who would have never-ending downstream control of anything produced overseas. Petitioner Br. at 56-58.

But this Court has repeatedly held that statutory construction should not be driven by extravagant hypotheticals that were not the mischief that Congress was legislating to correct. *See, e.g., Wash. State Grange v. Wash. State Republican Party*, 552 U.S. 442, 449-450 (2008) ("we must be careful not to go beyond the statute's facial requirements and speculate about 'hypothetical' or 'imaginary' cases"); *Sabri v. United States*, 541 U.S. 600, 608 (2004) ("laws should not be invalidated by 'reference to hypothetical cases'") (citation omitted).

There is no evidence whatever that John Wiley (or other publishers) plan to transfer manufacturing abroad so as to engage in the hyper-control petitioner feverishly imagines, or that Paramount Pictures wants to shut down rental businesses like Netflix by concentrating production abroad. Congress enacted §602(a)(1) to protect the ability of copyright owners to exploit the U.S. market independently of and in addition to any exploitation abroad.

There will be time enough for Congress or the courts to address any such flight abroad if and when it arises. For now, those hypotheticals are no excuse for not enforcing the statute Congress did enact, which by affording an exclusive right to import protects the right to serve the U.S. market even after an owner has first served a market abroad.

CONCLUSION

For the foregoing reasons, the decision below should be affirmed because only that would carry out Congress' clear and very deliberate intent to make infringing the unauthorized importation of non-piratical copies made under foreign law.

Respectfully submitted,

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AMICUS CURIAE BRIEF

RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF THE ASSOCIATION OF ART MUSEUM DIRECTORS, THE ART INSTITUTE OF CHICAGO, THE J. PAUL GETTY TRUST, MUSEUM ASSOCIATES DBA LOS ANGELES COUNTY MUSEUM OF ART, THE MUSEUM OF MODERN ART, THE SAN FRANCISCO MUSEUM OF MODERN ART, THE SOLOMON R. GUGGENHEIM FOUNDATION, THE WHITNEY MUSEUM OF AMERICAN ART, *ET AL.* AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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The Association of Art Museum Directors, the Art Institute of Chicago, the J. Paul Getty Trust, Museum Associates dba Los Angeles County Museum of Art, the Museum of Modern Art, the San Francisco Museum of Modern Art, the Solomon R. Guggenheim Foundation, the Whitney Museum of American Art, and twenty-one other United States museums of art submit this *amicus* brief in support of Petitioner.[1]

INTEREST OF *AMICI CURIAE*

Amici are art museums and an organization of art museum directors.[2] The mission of art museums is to serve the public through art and art education by making available, to a wide audience, works that convey the full range of human artistic expression. The decision below threatens this mission. Art museums have long depended on Section 109 of the Copyright Act to develop and display their permanent collections and to assemble and present special exhibitions of art. In particular, Section 109(c) allows museums to publicly display artwork "lawfully made under this title" without having to obtain the copyright owner's permission. Section 109(a) similarly allows museums to acquire "lawfully made" works of art for their permanent collections and to borrow and loan such works for display in special exhibitions. Displaying, acquiring, borrowing, and loaning art are at the core of what museums do. The Second Circuit, however, by ruling that "lawfully made under this

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[1] No counsel for any party authored this brief in whole or in part, and no counsel for a party or any party made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented to filing this brief, and letters reflecting their consent have been filed with the Clerk.

[2] A description of *amici* is set forth in the attached Appendix.

title" means lawfully made in the United States, set a precedent that could end Section 109's application to works of art of foreign origin. The copyrighted works potentially affected – modern, postwar, and contemporary artwork created outside of this country – are crucial to museum collections and exhibitions. Under the Second Circuit's reasoning, merely hanging a foreign-made painting on the walls of a museum, buying and importing a sculpture that was created outside the country, or loaning either to another institution for exhibition to the public, could give rise to claims of copyright infringement. The decision below has the potential to disrupt the mission of American museums and interfere with the public's access to art.

SUMMARY OF ARGUMENT

The decision below should be reversed for two reasons.

1. The decision below could have serious repercussions for American museums and their ability to exhibit art. Most U.S. art museums have permanent collections that were acquired through purchases, gifts, and bequests, and on which they draw for exhibitions to the public. Museums also present special exhibitions, largely made up of works not in their collections, through loans from private collectors, galleries, and other institutions. For all these activities museums depend on the protections afforded by Section 109. Section 109(c) provides that the owner of a particular copy "lawfully made under this title" is entitled to *display* that copy publicly without the copyright owner's permission. Section 109(a) similarly allows museums to buy, borrow, loan, and sell such "lawfully made" artworks.

By confining Section 109(a)'s "lawfully made under this title" to copies manufactured in the United States, the Second Circuit set a precedent that, if extended, could limit Section 109(c) and cause museums to lose their ability to display foreign-made, copyrighted works of art to the public. Museums could also lose the ability under Section 109(a) to acquire, borrow, loan, and sell such artwork. The decision below potentially affects large swaths of modern, postwar, and contemporary art on display in American museums today.

As a result, the decision below could harm the viewing public and the museum community. Every museum that hangs a painting of foreign origin in its galleries potentially is a copyright infringer. The most basic of museum functions – exhibiting art – could give rise to infringement claims. Museums would have to fall back on untested defenses like fair use, but would lose the certainty that Section 109 has long provided. To avoid the risk of liability, museums could be forced to seek licenses from copyright owners. But clearing rights will be expensive and in many cases impossible. The cost of having to find copyright owners and negotiate individual licenses will be high, and museums likely will be unable to locate the copyright owner in every instance even after a diligent search. Copyright owners, who have no obligation to grant licenses, could demand sizeable royalty payments and non-monetary concessions like control over curatorial decisions. Where museums are unable to secure permissions, they would face an untenable choice: running the risk of copyright infringement liability or not making art available to the public or even acquiring art, whether by gift, bequest, or purchase. Reversal is warranted to avoid

these unintended consequences for the viewing public and the museum community.

2. The Second Circuit overlooked a fundamental point of law. Section 104 of the Copyright Act provides that all works eligible for protection under U.S. law are "subject to protection under this title." The text of the statute must be given effect. A work that is "subject to protection under this title" is subject to the full range of rights *and* limitations that the statute affords – including Section 109's limitations on copyright. The lower court erred by finding the statute ambiguous. It is not. A work that is eligible for Section 104 protection, and any copy of that work, is subject to Section 109's limitations on the exclusive distribution and public display rights regardless of where they were made.

Amici's reading has broad applicability. It would maintain effective Section 109 protections for museums with respect to foreign-made works of art and, more broadly, would ensure that the limitations of Section 109 apply to *every* work in which there is U.S. copyright protection without regard to where a copy of the work may have been manufactured.

At a minimum, the proper construction of Section 109 is one that treats works of U.S. and foreign origin the same. Absent clear statutory language to the contrary, a party that seeks to avail itself of the benefits of U.S. copyright law protections must also be subject to all the limitations of that law, regardless of where it made copies of the works at issue.

ARGUMENT

I. THE DECISION BELOW THREATENS THE ABILITY OF MUSEUMS TO EXHIBIT ART CREATED OUTSIDE THE UNITED STATES

A. Foreign-Made Art Plays an Essential Role in the Mission of this Nation's Museums

The mission of museums in this country is to serve the public through art and art education. Museums do this in a number of ways. Most art museums have permanent collections, which they acquire through purchases, gifts, and bequests, and from which they draw for exhibitions and educational programs. Art museums also present special exhibitions, which can be drawn from a museum's permanent collection, works owned by others, or a combination of both. Museums regularly borrow works of art from other institutions, private collectors, and galleries, and they rely on one another for loans of art.[3] All these activities allow art museums to reach a large audience. In 2008, an estimated 51.1 million visitors, or 23% of American adults, attended an art museum or gallery in the United States.[4]

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[3] Occasionally, a museum will deaccession a work – *i.e.*, permanently remove it from the museum's collection – and dispose of it by transferring ownership. AAMD and its members have developed policies and procedures to govern the deaccessioning of works. *See* Association of Art Museum Directors, *AAMD Policy on Deaccessioning* (June 9, 2010), *available at* http://aamd.org/papers/documents/FinalDeaccessioning_Report_6_25_10.pdf.

[4] Nat'l Endowment for the Arts, *2008 Survey of Public Participation in the Arts*, 25-26 (Nov. 2009), *available at* http://www.nea.gov/research/2008-SPPA.pdf (measuring the

American museums believe that art conveys the rich complexity of human experience, and they are committed to selecting and presenting works of art across a broad range of time periods, geographies, and artistic perspectives. Showing modern, postwar, and contemporary art is essential to this.[5] Such works are a significant part of museum collections and exhibitions in this country. Many modern, postwar, and contemporary works originate from outside the United States. *Amici* hold works created by Constantin Brancusi, Alexander Calder, Marc Chagall, Salvador Dalí, Lucian Freud, Alberto Giacometti, Frida Kahlo, Anselm Kiefer, Yves Klein, Yayoi Kusama, René Magritte, Henri Matisse, Joan Miró, Piet Mondrian, Pablo Picasso, Gerhard Richter, Diego Rivera, Rachel Whiteread, and other influential artists of the twentieth and twenty-first centuries. Foreign-made art is not exclusively made by foreigners. American artists working abroad have created many influential works. Cy Twombly, for example, settled in Italy in 1957 where he worked for decades and became one of the most important painters of the postwar era.[6]

Many works created outside the United States are iconic and have shaped the history of art as we know it. Picasso's *Les Demoiselles d'Avignon*, with its then-scandalous subject matter and radical break from traditional composition and perspective, broke norms

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number of Americans over the age of eighteen who visit museums).

[5] *Amici* emphasize these works because older works are likely to have fallen into the public domain and no longer are protected by copyright.

[6] *See* Randy Kennedy, *American Artist Who Scribbled a Unique Path*, N.Y. TIMES, July 5, 2011.

of artistic expression and was crucial to the genesis of modern art.[7] Brancusi's *Bird in Space*, a series of sixteen marble and bronze sculptures, is a work of inspired abstraction that strips away a bird's individualizing features to realize the artist's intent of capturing "the essence of flight."[8] Brancusi's work was instrumental in expanding what courts at the time accepted as "art."[9] Richter's *Woman Descending the Staircase*, which the artist created by projecting a photograph on a canvas and rendering the image with paint, addresses the way photography and painting create impressions of beauty, elegance, and

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[7] *See Les Demoiselles d'Avignon*, MUSEUM OF MODERN ART, http://www.moma.org/collection/object.php?object_id=79766 (last visited July 3, 2012).

[8] *See Bird in Space*, METROPOLITAN MUSEUM OF ART, http://www.metmuseum.org/Collections/search-the-collections/210006973 (last visited July 3, 2012); *Bird in Space*, LOS ANGELES COUNTY MUSEUM OF ART, http://collectionsonline.lacma.org/mwebcgi/mweb.exe?request=record;id=159125;type=101 (last visited July 3, 2012); *Bird in Space*, GUGGENHEIM MUSEUM, http://www.guggenheim.org/new-york/collections/collection-online/show-full/piece/?object=76.2553.51&search=&page=&f=Title (last visited July 3, 2012); *Bird in Space*, MUSEUM OF MODERN ART, http://www.moma.org/collection/object.php?object_id=81033 (last visited July 3, 2012).

[9] When a number of Brancusi's works, including *Bird in Space*, were shipped to the United States in 1926 for display at an exhibition in New York, customs officials refused to allow the works to enter duty-free because they considered the works "manufactures of metal" subject to an importation tax, rather than art. On appeal, the Customs Court ruled that the pieces were works of art despite the fact that they did not strictly imitate natural objects. *Brancusi v. United States*, 54 Treas. Dec. 428 (Cust. Ct. 1928).

glamour.[10] For years, these and many other works of foreign origin have engaged viewers and challenged their perceptions of aesthetics, society, and what it means to be art.

American museums curate and present exhibitions of countless foreign-made works of art every day. In addition to showing such works through their permanent collections, *amici* recently have exhibited or will exhibit:

- *Art of Another Kind: International Abstraction and the Guggenheim, 1949–1960*, which features works drawn from the museum's collection and explores the affinities and differences between artists working continents apart in a period of great transition and rapid creative development.[11]
- *The Last Harvest: Paintings of Rabindranath Tagore*, which followed one of the most important cultural icons in India and Bangladesh who helped shape the modern Indian identity.[12]
- The works of Yayoi Kusama, who is among Japan's most prominent contemporary artists and whose art spans a variety of media

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[10] *See Woman Descending the Staircase*, ART INSTITUTE OF CHICAGO, http://www.artic.edu/aic/collections/artwork/147003 (last visited July 3, 2012).

[11] *Art of Another Kind: International Abstraction and the Guggenheim, 1949-1960*, GUGGENHEIM MUSEUM, http://www.guggenheim.org/new-york/exhibitions/on-view/art-of-another-kind (last visited July 3, 2012).

[12] *The Last Harvest: Paintings of Rabindranath Tagore*, ART INSTITUTE OF CHICAGO, http://www.artic.edu/aic/collections/exhibitions/Tagore/index (last visited July 3, 2012).

including painting, drawing, sculpture, film, performance, and immersive installation; the photographs of Daido Moriyama, whose gritty depictions of Japanese urban life incorporate high contrast, graininess, and tilted vantages to convey the fragmentary nature of modern realities; and *Tokyo 1955-1970*, which follows Tokyo's transformation from the capital of a war-torn nation into an international center for arts, culture, and commerce, eventually becoming home to some of the most important art being made at the time.[13]

- *The Steins Collect: Matisse, Picasso, and the Parisian Avant-Garde*, which explored the collections of Gertrude, Leo, Michael, and Sarah Stein, American expatriates living in Paris whose art collections and social networks were instrumental in shaping Modernism.[14]

Foreign-made modern, postwar, and contemporary works of art are an essential part of American museum collections and exhibitions. They are crucial to the mission of museums to make a wide range of

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[13] *Yayoi Kusama*, WHITNEY MUSEUM OF AMERICAN ART, http://whitney.org/Exhibitions/YayoiKusama (last visited July 3, 2012); *Fracture: Daido Moriyama*, LOS ANGELES COUNTY MUSEUM OF ART, http://www.lacma.org/art/exhibition/fracture-daido-moriyama (last visited July 3, 2012); *Tokyo 1955-1970*, MUSEUM OF MODERN ART, http://www.moma.org/visit/calendar/exhibitions/1242 (last visited July 3, 2012).

[14] Press Release, *The Steins Collect*, SAN FRANCISCO MUSEUM OF MODERN ART, http://www.sfmoma.org/about/press/press_exhibitions/releases/862 (last visited July 3, 2012). The exhibition originated at SFMOMA and then traveled to Paris and the Metropolitan Museum of Art in New York.

art available to the public. If the decision below stands, museums in the United States that display these works are at risk.

B The Decision Below Threatens the Section 109 Limitations on which Museums Depend

The decision below impacts more than foreign-made editions of textbooks. It establishes a precedent that could eliminate the express limitations in Section 109 with respect to all foreign-made copyrighted works, including large swaths of modern, postwar, and contemporary art on display in this nation's museums.

As a general matter, museums do not own the copyrights to the works and objects in their collections. That is because ownership of a copyright is distinct from ownership of any material object in which the work is embodied. 17 U.S.C. § 202. The artists who created those works, the artists' heirs, or foundations typically control those rights. Moreover, many works of art are embodied in only one object – a singular painting, drawing, or sculpture. For purposes of the copyright law, the "original" of a work of art is deemed a "copy." *See* 17 U.S.C. § 101 ("'Copies' are material objects . . . in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. *The term 'copies' includes the material object . . . in which the work is first fixed.*") (emphasis added).

Museums then depend on Section 109 in two respects. Section 109(c), which the decision below does not discuss, provides that "the owner of a particular copy lawfully made under this title . . . is entitled, without the authority of the copyright owner, *to display that copy publicly*, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located." 17 U.S.C. § 109(c) (emphasis added). Section 109(c) thus expressly limits a copyright owner's right to control a museum's public display of artwork in its possession. *See* 17 U.S.C. § 106(5) ("the owner of copyright under this title has the exclusive rights . . . in the case of . . . pictorial, graphic, or sculptural works, . . . to display the copyrighted work publicly"). Section 109(c) "adopts the general principle that the lawful owner of a copy of a work should be able to put his copy on public display without the consent of the copyright owner." H.R. Rep. No. 94-1476, at 79 (1976).[15] As a result, a museum ordinarily does not need permission to show the public a copyrighted painting, drawing, sculpture, or any other object in its collection or in a special exhibition.

Museums also rely on Section 109(a). This provision allows museums to make uses that otherwise would implicate copyright owners' exclusive rights of distribution. Museums acquire works of art for their

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[15] "As a general principle, we believe that anyone who owns a copy of a work should be free to put that copy on public display without first obtaining authorization from the owner of copyright in that work. Thus, for example: the owner of a painting should be able to hang it in a public gallery . . . ." STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., COPYRIGHT LAW REVISION PART 6 – SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 30 (Comm. Print 1965).

permanent collections through purchases, either with their own funds or funds given by others, or through donations or bequests. Museums also regularly borrow and loan works that are incorporated into special exhibitions. Many loaned works of art travel internationally. All these uses implicate copyright owners' distribution rights because of the Copyright Act's Section 106(3), which provides that "the owner of copyright under this title has the exclusive rights . . . to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." Section 109(a) then expressly limits the distribution right: museums need not obtain copyright permissions to buy, borrow, loan, or sell works of art because of the protections that Section 109(a) affords.[16]

Together, Section 109(a) and Section 109(c) enable essential museum functions – the development and public display of permanent collections and special exhibitions of art. The decision below however confines Section 109(a)'s "lawfully made under this title" to works made in the United States. By doing so, it sets a precedent for similarly limiting Section 109(c). If "lawfully made under this title" means only copies lawfully made in the United States, museums could lose their ability under Section 109(c) to display foreign-made copyrighted works of art to the public,

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[16] Museums would argue that a museum that borrows a work of art from another institution, collector, or gallery, or that lends a work to another museum, is not engaged in a distribution of "copies . . . to the public." *See* 17 U.S.C. § 106(3). Regardless of whether such uses are distributions for purposes of Section 106(3), Section 109(a) permits them without the copyright owner's permission.

and under Section 109(a) to acquire, borrow, loan, and sell foreign-made works.

C. The Decision Below Puts at Risk Museums' Ability to Exhibit Foreign-Made Works of Art to the Public

The lower court's construction of Section 109 could have serious unintended consequences: if the decision below is upheld, every museum that exhibits a foreign-made painting, drawing, or sculpture under copyright is a potential infringer. To be clear, museums would not concede liability if infringement claims were brought.[17] But the decision below could open museums across the country to copyright infringement lawsuits and claims for damages, attorneys' fees, and injunctions – costs that would have a chilling effect on how museums, already operating under tight budgets, manage their collections and exhibitions.

Without the protection of Section 109's limitations on the exclusive rights of public display and distribution, museums will be forced to decide whether to seek permission to exhibit, acquire, borrow, lend, and sell foreign-made artwork in order to avoid claims that they are infringing the copyright owners' exclusive rights. Having to clear rights for these basic museum functions will be extremely time-consuming, costly, and burdensome. As a practical matter it will be difficult, and in many cases impossible, to secure the rights. Leaving aside the question of how much a license would cost, museums would be forced to spend a great deal of time and energy locating copyright

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[17] Museums would assert all meritorious defenses – for example, that their display of art is fair use. *See, e.g.*, 17 U.S.C. § 107.

owners and negotiating rights, diverting scarce resources from other important museum functions and potentially delaying acquisitions, loans, and exhibitions. In many instances, it may be impossible for museums to locate copyright owners. Many artworks and objects are "orphan" works whose copyright owners cannot be found even after a reasonably diligent search, as they lack clear facts about their authorship, country of origin, date of creation, publication, and copyright duration.[18] If the copyright owner's identity or a work's ownership status cannot be ascertained, museums will be left in legal limbo.

Even where the copyright owner of a work of art can be found, there is no guarantee the museum would be able to secure a license. A copyright owner could decide not to grant a license for any reason – for example, because he or she objected to the venue or curatorial aspects of the exhibition – or for no reason at all. Alternatively, the copyright owner could demand a sizeable royalty payment to allow the use to occur. What is the price a museum would have to pay for a copyright license to publicly display a work of art? To borrow, purchase, or receive a donated work? There is no precedent. The price is entirely at the discretion of the copyright owner: it will be as low or as high as he or she is willing to

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[18] *See* J. Paul Getty Trust, *et al.*, *Initial Comments to Orphan Works Notice of Inquiry* (Mar. 24, 2005), *available at* http://www.copyright.gov/orphan/comments/OW0610-ArtMuseums.pdf; Los Angeles County Museum of Art, *Initial Comments to Orphan Works Notice of Inquiry* (Mar. 25, 2005), *available at* http://www.copyright.gov/orphan/comments/OW0644-LACMA.pdf. Whitney Museum of American Art, *Initial Comments to Orphan Works Notice of Inquiry* (May 6, 2005), *available at* http://www.copyright.gov/orphan/comments/reply/OWR0090-WhitneyMuseum.pdf.

accept. With such bargaining power, the copyright owner could demand non-monetary compensation, like control over how the work is displayed, the content of the exhibition, or to whom the work is sold.

As such, the Second Circuit's decision places museums' curatorial freedom at risk. Regardless of the amount of a fee or the conditions attached to a license, this much is clear: today, American museums pay no copyright fees to exhibit, purchase, borrow, lend, or sell art, and they exercise broad freedom to make curatorial decisions. If the decision below is allowed to stand, museums conceivably could be forced to divert significant portions of their budgets – now spent on paying staff, running educational programs, and acquiring art – to clearing rights that never before existed. Museums may be forced to change what art they exhibit and how, to comply with copyright demands.

Ultimately, the cost of clearing rights in foreign-made works may be beyond what museums can afford. This places museums in an untenable position. They could, on the one hand, proceed with unlicensed uses of their collections. That opens them up to copyright infringement lawsuits and potentially devastating awards of damages and attorneys' fees. Or museums could avoid exhibiting or acquiring foreign-made works entirely, focusing their efforts instead on those works in which they have rights. Either way, the public loses. Spurring a cottage industry of litigation against this nation's museums hardly serves the public. The alternative – withholding art from public view – likewise serves no benefit.

The lower court's construction of "lawfully made under this title" has the potential to disrupt core museum functions, undermine the mission of this nation's museums to make art of all kinds widely available, and deprive the American public of access to foreign-made modern, postwar, and contemporary art. Reversal is warranted to avoid these consequences.

II. ALL WORKS PROTECTED BY U.S. COPYRIGHT, AND THEIR COPIES, ARE SUBJECT TO SECTION 109'S LIMITATIONS ON RIGHTS

A. Section 104 Expressly Makes Works "Subject to Protection under this Title" Regardless of Where their Copies Were Manufactured

Section 104 sets forth the criteria under which a work of authorship is protected under the copyright law of the United States.[19] All works that satisfy the

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[19] Section 104 provides, in relevant part:

> (a) *Unpublished Works.* – The works specified by sections 102 and 103, while unpublished, ***are subject to protection under this title*** without regard to the nationality or domicile of the author.
>
> (b) *Published Works.* – The works specified by sections 102 and 103, when published, ***are subject to protection under this title*** if—
>
> (1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a treaty party, or is a stateless person, wherever that person may be domiciled; or
>
> (2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party . . . .

criteria of Section 104 are "subject to protection under this title." 17 U.S.C. § 104. The words of the statute must be given effect and are crucial here. A work that is "subject to protection under this title" is subject to all the contours of copyright protection – all the rights that attach to it under Section 106 of the Copyright Act, all the remedies available to the copyright owner for infringement of that work under Sections 501 through 513, and all the limitations on those rights and remedies under Sections 107 through 122. Section 104 makes the full range of U.S. copyright protections and limitations applicable to *all* eligible works, and it makes no distinction based on where a work or a copy of it was manufactured. All works eligible for protection under U.S. law, and all copies of those works, are subject to the limitations on the distribution and public display rights set forth in Section 109, regardless of where they were made.

The Second Circuit erred by not embracing this statutory reading. The court acknowledged that the wording of Section 104(b)(2) made it "possible to interpret § 109(a)'s 'lawfully made under this title' language to mean, in effect, 'any work that is subject to protection under this title.'" *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 219-20 (2d Cir. 2011). The court further recognized that Petitioner here

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17 U.S.C. § 104 (emphasis added). Subsections (3), (4), (5), and (6), which are not repeated here for the sake of brevity, make subject to U.S. copyright protection, respectively, sound recordings first fixed in a treaty party, works incorporated into buildings and structures located in the United States and treaty parties, works first published by the United Nations or the Organization of American States, and works within the scope of a Presidential proclamation. 17 U.S.C. § 104(b)(3), (4), (5), (6).

would prevail if it adopted this definition of Section 109(a). *Id.* at 220 n.38. But rather than apply Section 104 as determinative of the issue, the court instead treated Section 104 as only one aspect of the statute that could be used to interpret the meaning of Section 109(a)'s "lawfully made under this title." Finding that alternative readings were possible, the court concluded that the text of Section 109(a) was "utterly ambiguous." *Id.* at 220. Confronted with what it viewed as ambiguous text, the court then relied on two arguments, not grounded in the text of the Copyright Act, to find for Respondent: it found that Section 602(a)(1) would have no force in the vast majority of cases if Petitioner's argument were adopted, and it relied on dicta found in *Quality King*. *Id.* at 221.

The court erred in its first step when it found Section 109 ambiguous. The statute is not ambiguous. Section 104 establishes that all eligible works – and by extension, all copies thereof – are subject to all the protections, remedies, and limitations of the U.S. copyright law, including Section 109. The Second Circuit should have ended its analysis there. *See Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 254 (1992) ("When the words of a statute are unambiguous, then, this first canon is also the last: 'judicial inquiry is complete.'") (quoting *Rubin v. United States*, 449 U.S. 424, 430 (1981)). Simply put, if a work is eligible for protection under U.S. law, and the copyright owner seeks to enforce its rights under U.S. law, the works at issue – and all copies thereof – are

subject to the same limitations imposed by the law regardless of where they were manufactured.[20]

B. *Amici*'s Reading Preserves Museums' Ability to Rely on Section 109 and Comports with *Quality King*

Amici's reading of Section 104 has broad applicability. It is coterminous with U.S. copyright law protection: every work that is protected under the Copyright Act is also subject to the *limitations* of Section 109. To use artwork as an example, if a painting is "unpublished," it is "subject to protection under this title" including the limitations of Section 109. *See* 17 U.S.C. § 104(a). If the painter who created the work was a national or domiciliary of the United States or of a "treaty party," the painting is subject to protection under this title and Section 109. *See* 17 U.S.C. § 104(b)(1). (A treaty party includes any country that is a party to the Berne Convention, the Universal Copyright Convention, the WTO Agreement, the WIPO Copyright Treaty, and any other copyright treaty to which the United States is party[21] – virtually every country on Earth.) If the painting was first published in the United States or in a foreign nation that is a treaty party, once again, it is subject to protection under the Copyright Act and the limitations of Section 109. *See* 17 U.S.C. § 104(b)(2). Indeed, a work that falls outside of Section 104 has

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[20] Under this reading, Respondent's foreign editions are subject to the limitations of Section 109. Each of Respondent's eight copyrighted works at issue were first published in the U.S. Special Joint Appendix 1, 3, 5, 8, 10, 12, 14, 16. By operation of Section 104(b)(2), the works "are subject to protection under this title."

[21] 17 U.S.C. § 101 (definitions of "treaty party" and "international agreement").

no U.S. rights for its owner to enforce, making moot the question whether Section 109 would apply in such a circumstance.

Amici's reading of the statute also accords with *Quality King*. There, the Court ruled that the importation right granted in Section 602(a) is limited by Section 109 (and indeed Sections 107 through 120). *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 150 (1998). While the concurrence opined that the Court was not resolving cases in which the allegedly infringing imports were manufactured abroad, *Quality King*, 523 U.S. at 154, the majority opinion certainly left open the possibility that all copies of works protected under U.S. law are subject to Section 109's limitations regardless of where they were made. There is no reason to carve out a judicial exception from the rule that every work protected under the Copyright Act is subject to all the limitations on copyright contained in the statute.

C. Section 109 Must Be Construed to Give Effect to Section 104's Equal Treatment of Foreign and Domestic Works

Further highlighting the problems with the ruling below is that the Second Circuit failed to give effect to Section 104's mandate to treat foreign and domestic works equally. At a minimum, the text of Section 104 establishes the proper analytic framework for interpreting Section 109's "lawfully made under this title." Courts have recognized that the wording of Section 104 supports a construction that applies Section 109 to foreign-made copies. *See John Wiley & Sons*, 654 F.3d at 219-20 & n.38; *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009). More than that, Section 104 sets the principle that all

copyright owners whose works are eligible for protection under U.S. law should receive the same copyright protections and limitations, and that eligible foreign works should receive no more or less favorable treatment unless there is clear language in the statute to the contrary.

Congress uses explicit language in the few instances where it has decided to treat foreign works differently than domestic works. When Congress implemented the WIPO Copyright and Performances and Phonograms Treaties, it exempted foreign works from the requirement that they be registered as a prerequisite for filing an infringement action. Congress amended Section 411(a) to provide that "no civil action for infringement of the copyright in any *United States work* shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title." 17 U.S.C. § 411(a) (emphasis added).[22] Section 109(a) does not so clearly give preferential treatment for foreign-made copies, even though Congress could have chosen the words "lawfully made in the United States" instead of "lawfully made under this title." Indeed when it enacted the 1976 Act, Congress

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[22] The Copyright Act as enacted in 1976 provided that "no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title." 17 U.S.C. § 411(a) (1976). The Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853, 2859, amended this provision of the 1976 Act, which, in turn, was amended by the WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860, 2863.

confirmed the principle of general applicability embodied in the text of the Section 109.[23]

Absent a clear Congressional statement to the contrary, the words of Section 109(a) should be construed to give foreign- and U.S.-made copies the equal treatment that Section 104 contemplates. *See Pearson*, 656 F. Supp. 2d at 413 ("[w]hen Congress considered the place of manufacture to be important, . . . the statutory language clearly expresses that concern") (quoting *Sebastian Int'l, Inc. v. Consumer Contacts (Pty) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988)). "Lawfully made under this title" must refer to the lawfulness of a copy's manufacture as a func-

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[23] "Section 109(a) *restates and confirms the principle that*, where the copyright owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or other means." H.R. Rep. No. 94-1476, at 79 (emphasis added). "Section 109(b) [subsequently renumbered 109(c)] *adopts the general principle* that the lawful owner of a copy of a work should be able to put his copy on public display without the consent of the copyright owner." *Id.* (emphasis added). Moreover, there is no indication that Congress intended to exempt foreign-made copies from Section 109. Congress has often considered and has thus far failed to enact a resale royalty right – that is, the right of a copyright owner to receive royalties from the resale of a work of art. *See* Visual Artists' Residual Rights Act of 1978, H.R. 11403, 95th Cong. (1978); Visual Artists Rights Amendment of 1986, H.R. 5722, 99th Cong. (1986); Visual Artists Rights Amendment of 1986, S. 2796, 99th Cong. (1986); Visual Artists Rights Act of 1987, H.R. 3221, 100th Cong. (1987). Such a right arguably could arise if foreign-made artwork were exempted from Section 109. The legislature's consideration of such legislation, and the absence in the debates with respect thereto of any assertion that such a right already exists in the Copyright Act (if only for non-United States works), suggests that the Congress understood that no such right exists.

tion of United States copyright law, not to the place the copy was manufactured. *Id.* at 412.

CONCLUSION

The Court should reverse the decision below and find that a copy that was made and acquired abroad and then imported into the United States can always be distributed and publicly displayed within the United States without permission so long as the copyright owner authorized the first distribution abroad.

Respectfully submitted,

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July 9, 2012

APPENDIX

APPENDIX

The Association of Art Museum Directors – The Association of Art Museum Directors ("AAMD") is a non-profit professional association organized under the laws of Washington, D.C. The AAMD's general nature and purpose is to support its members, consisting of more than 200 directors of art museums located throughout the United States, Canada, and Mexico, in the contribution of art museums to society.

The Art Institute of Chicago – Founded in 1879, the Art Institute of Chicago is one of the largest encyclopedic art museums in the country. Its mission is to collect, preserve, and interpret works of art from the world's diverse artistic traditions for the inspiration and education of the public and for the advancement of research in visual culture.

The J. Paul Getty Trust – Based in the Los Angeles area, the J. Paul Getty Trust operates the J. Paul Getty Museum, which seeks to further knowledge of the visual arts and to nurture critical seeing by collecting, preserving, exhibiting, and interpreting works of art of the highest quality. The Museum strives to provide its visitors with access to the most innovative research in the visual arts while they enjoy a unique experience in viewing works of art at its two sites: the J. Paul Getty Museum at the Getty Center, which houses European paintings, drawings, sculpture, illuminated manuscripts, decorative arts, and European and American photographs, and the J. Paul Getty Museum at the Getty Villa, a museum and educational center dedicated to the study of the arts and cultures of ancient Greece, Rome, and Etruria.

Museum Associates dba Los Angeles County Museum of Art – The mission of the Los Angeles County Museum of Art, founded in 1965, is to serve the public through the collection, conservation, exhibition, and interpretation of significant works of art from a broad range of cultures and historical periods, and through the translation of these collections into meaningful educational, aesthetic, intellectual, and cultural experiences for the widest array of audiences. Museum Associates is a nonprofit public benefit corporation organized under the laws of California, which operates the Los Angeles County Museum of Art.

The Museum of Modern Art – Founded in 1929 as an educational institution, the Museum of Modern Art in New York is dedicated to being the foremost museum of modern art in the world and manifests this commitment by establishing, preserving, and documenting a permanent collection of the highest order that reflects the vitality, complexity, and unfolding patterns of modern and contemporary art; by presenting exhibitions and educational programs of unparalleled significance; by sustaining a library, archives, and conservation laboratory that are recognized as international centers of research; and by supporting scholarship and publications of preeminent intellectual merit.

The San Francisco Museum of Modern Art – Founded in 1935, SFMOMA was the first museum on the West Coast devoted to modern and contemporary art, and from the outset has championed some of the most innovative and challenging art of its time. Its mission is to assemble unparalleled collections, create exhilarating exhibitions, and develop engaging

public programs, guided by its commitment to foster creativity and embrace new ways of seeing the world.

The Solomon R. Guggenheim Foundation – The Solomon R. Guggenheim Foundation, founded in 1937, is a non-profit education corporation chartered by the New York State Board of Regents, which operates the Solomon R. Guggenheim Museum in New York City, and maintains an international network of museums comprised of the Peggy Guggenheim Collection in Venice, Italy, the Guggenheim Museum Bilbao in Bilbao, Spain, and the Deutsche Guggenheim in Berlin, Germany. Founded on a collection of early modern masterpieces, the Guggenheim Museum in New York is an ever-growing institution devoted to the art of the 20th century and beyond.

The Whitney Museum of American Art – Founded in New York City in 1930, the Whitney collects, exhibits, preserves, researches, and interprets art of the United States in the broadest global, historical, and interdisciplinary contexts, with a special focus on living artists. The Whitney's signature exhibition, the Biennial, is a leading survey of the most recent developments in American art.

Additional United States museums – The following twenty-one United States museums also have an interest in this appeal and join this brief as *amici*: the Asian Art Museum, Chong-Moon Lee Center for Asian Art and Culture; the Cedar Rapids Museum of Art; the Cleveland Museum of Art; the Columbus Museum; the Currier Museum of Art; the Dallas Museum of Art; the Farnsworth Art Museum; the Flint Institute of Arts; the Georgia Museum of Art; the Hunter Museum of American Art; the Michael C. Carlos Museum; the Milwaukee Art Museum; the

Mint Museum; the Museum of Latin American Art; the Nasher Museum of Art at Duke University; the Palmer Museum of Art; the Philbrook Museum of Art; the Portland Art Museum; the Timken Museum of Art; the Toledo Museum of Art; and the Walker Art Center.

AMICUS CURIAE BRIEF

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF ASSOCIATION OF SERVICE AND COMPUTER DEALERS INTERNATIONAL, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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July 2, 2012

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QUESTION PRESENTED

Does the Copyright Act's first sale doctrine apply to copyrighted works that were manufactured abroad?

INTEREST OF *AMICUS CURIAE*

In the case at bar the Court will be hearing from titans of commerce and copyright. This brief offers a different perspective: that of a not-for-profit trade association, founded in 1981, whose 380 members are primarily small businesses based in the U.S.A.[1] *Amicus curiae* Association of Service and Computer Dealers International, Inc. is the successor by merger, effective January 2, 2012, of the Association of Service and Computer Dealers International, Inc., and the North-American Association of Telecommunications Dealers, Inc, both Internal Revenue Code § 501(c)(6) trade associations (hereinafter "ASCDI/NATD"). The members of ASCDI/NATD provide technology hardware, software, maintenance services, leasing services and technical support to customers worldwide.[2] Among other things ASCDI/NATD's members routinely

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[1] This brief is filed with the written consent of the parties pursuant to Supreme Court Rule 37.3(a). Pursuant to Rule 37.6 the *amicus curiae* submitting this brief and its counsel represent that no party to this case or its counsel authored this brief in whole or in part and no person other than *amicus curiae* and its counsel paid for or made a monetary contribution toward the preparation and submission of this brief.

[2] *See* www.ascdi.com.

buy and sell technology products that contain copyrightable elements and were manufactured outside of the U.S.A.—indeed most technology products fit this description. Continued tradability of such products will be affected by the outcome of this case.[3] Accordingly this brief offers the Court a philosophical and practical assessment of the case from a small-business perspective.

SUMMARY OF ARGUMENT

Look around—is there a computer, cell phone, television, DVD player, game console or microwave oven in view? Almost every such device contains copyrightable software.[4] Now examine the device and try to determine its provenance. Was it made in the U.S.A. or abroad? If made in the U.S.A. does it contain copyrightable components that were

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[3] Commentators in the trade press have framed the issue as make-or-break for the secondary market. *See, e.g.*, Jay McDaniel, *Absence of First Sale Defense Is a Trap for Importers of Foreign-Manufactured Goods*, IP TRADER (2010), http://theiptrader.com/absence-of-first-sale-defense-is-a-trap-for-importers-of-foreign-manufactured-goods/.

[4] John Catsoulis, *Designing Embedded Hardware* 1-2 (2d ed. 2005) (embedded microprocessors driven by software are found inside "TV's, VCR's, DVD players, remote controls, washing machines, cell phones, air conditioners, game consoles, ovens, toys and a host of other devices"). *See also Alcatel USA v. DGI Technologies, Inc.*, 166 F.3d 772, 778 (5th Cir. 1999) (explaining that microprocessors contain "software embedded in the memory chip on the card.") All of the devices referenced as examples in this brief contain copyrightable software.

manufactured abroad? Here is the ultimate question: On pain of being held liable for statutory damages of up to $150,000, under the rule espoused by the court below, can the owner of the device lawfully sell it on eBay?[5] Most likely the response will be a shrugging "Who knows?"—underscoring the confusion that will result if the decision below is upheld.

This case is an opportunity to end the confusion by reaffirming a doctrine established by the Court more than a century ago in the landmark case of *Bobbs-Merrill Co. v. Straus*,[6] subsequently codified by Congress,[7] and embraced by merchants and consumers ever since:

> [O]ne who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser. . . may sell it again. . . .[8]

The first sale doctrine as so understood by Supap Kirtsaeng,[9] Costco Wholesale Corp.[10] and countless

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[5] eBay and Craigslist are two of the best-known venues in which computers and other goods are traded, but there are numerous specialty sites—an example being BrokerBin.com, a forum for worldwide trade in technology products.

[6] 210 U.S. 339 (1908).

[7] 17 U.S.C. § 109(a).

[8] *Bobbs-Merrill*, 210 U.S. at 350

[9] *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 213 (2d Cir. 2011).

[10] *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 984 (9th Cir. 2008).

others is a bright-line rule that has facilitated billions of dollars in commerce.[11]

Although the first sale doctrine originates from a 1908 opinion of this Court it manifests a concept articulated by Adam Smith 132 years earlier that engaging in trade is a "natural liberty."[12] The first sale doctrine also reflects the common law disdain for restraints on alienation.[13] Today the principle that if you buy something you own it and are free to "sell it again" is so deeply engrained in the American consciousness as to be intuitive. In venues ranging from pawn shops to internet trading networks the freedom of an owner to sell his or her goods is regarded as a natural right—whether the item in question is an automatic coffeemaker made in China, a book published in Thailand, a digital camera manufactured in Germany or a watch made in Switzerland.[14]

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[11] *See* Steven Seidenberg, *Market Mayhem: Sale of Gray Market Goods Heads to the Supreme Court*, INSIDE COUNSEL (2010), http://www.insidecounsel.com/2010/02/01/market-mayhem (independent trade in technology products was estimated to be $58 billion in 2007 in the United States alone).

[12] Adam Smith, *The Wealth of Nations* 265, 376, 426 (1776), http://i-ahrens.de/schule/bvw/Wealth-Nations.pdf. *See also id.* at 560 (positing that systems which "impose restraints upon manufactures and foreign trade, act contrary to the very end which they propose").

[13] *See Bobbs Merrill Co.*, 210 U.S. at 350; Richard E. Manning, *The Development of Restraints on Alienation Since Gray*, 48 HARV. L. REV. 373 (Jan. 1935).

[14] Automatic coffeemakers and microwave ovens have digital displays that are driven by copyrightable software.

Two lower courts, however, have lost sight of the principle that if you own something you are free to "sell it again" and have turned a blind eye to the practical consequences. The view of the Second Circuit: Congress intended that Americans, prior to putting out the garage sale sign, must consider whether the items on the folding table contain any copyright-protected elements, and if so, were manufactured within or without the U.S.A.[15] The view of the Ninth Circuit: A flea market vendor, prior to selling her collection of made-in-Japan talking toys, must determine the geographic location of the first sale.[16]

From the ground-level view of ASCDI/NATD these courts have been parsing the phrase "lawful-

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See Catsoulis, *supra* n. 4. The example of a "book published in Thailand" is a reference to the textbooks at issue in the case at bar; the example of a "watch made in Switzerland" is a reference to the Omega Seamaster watches at issue in *Omega v. Costco*, 541 F.3d at 982.

[15] Once the garage sale vendor determined that goods proposed to be sold contained copyrighted elements—itself no easy task—then alienability of those goods without permission from the copyright holder would depend on where they were manufactured, as the first sale doctrine would only apply to "copies manufactured domestically." *Kirtsaeng*, 654 F.3d at 221.

[16] Talking toys contain copyrightable software, *see* Catsoulis, *supra* n. 4, and in this example the products were manufactured abroad. Under *Kirtsaeng* the toys could not be resold without permission from the copyright holder, *see* 654 F.3d at 221, but under the Ninth Circuit rule the toys could be resold if the first sale had occurred in the U.S.A. *Omega v. Costco*, 541 F.3d at 986.

ly made under this title" without regard to the sweeping implications. Meanwhile workaday merchants and consumers, in keeping with the bright-line first sale doctrine of *Bobbs-Merrill*, have been going about their business believing that if they own something they have the right to "sell it again" regardless of where it was manufactured or first sold—benefitting not only themselves but also the customers who depend on the products they supply. As for the answer to the question presented, as explained in the well-reasoned dissent of the Honorable J. Garvan Murtha, because "lawfully made under this title" refers simply to *lawfulness of manufacture* rather than *place of manufacture*, the first sale doctrine applies to copyrighted goods that were manufactured abroad.[17]

ARGUMENT

THE BRIGHT-LINE FIRST SALE DOCTRINE OF *BOBBS-MERRILL V. STRAUS* FACILITATES VITALLY-IMPORTANT COMMERCE

Copyrightable elements are ubiquitous in the goods that are bought and sold in today's marketplace. Functional items ranging from dishwashers to automobiles contain embedded software; products or their packaging are often adorned with art-

[17] *Kirtsaeng*, 654 F.3d at 226 (Murtha, J., dissenting).

work; and many items include copyrighted instruction manuals.[18]

Today's marketplace is also global in scope. Commerce that formerly required face-to-face contact or cumbersome long-distance communication now occurs seamlessly via uploads and mouse clicks. The logistics of transporting goods and dealing with customs & duties have been streamlined by shipping companies and freight forwarders.[19] The result is that products may have components manufactured in several countries; assembly may take place in yet another; the "first sale" might be to a distributor at one of many global hubs; and the products could end up being bought and sold all over the world.[20]

At stake in this case is the continued ability of merchants and consumers in the U.S.A. to trade goods freely in the global marketplace—and once the goods are in the U.S.A., to continue trading them in wholesale marts, retail stores, online venues, flea markets, garage sales and the like.[21] Also

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[18] Copyrightable elements permeate functional goods in part because this Court has held that a work is eligible for copyright protection if it possesses "even a slight amount" of creativity. *Feist Publications, Inc, v. Rural Telephone Service, Inc*, 499 U.S. 340, 345 (1991).

[19] Kent Gourdin, *Global Logistics Management: A Competitive Advantage for the 21st Century* 10-15 (2d ed. 2006) (describing trends in e-commerce and global logistics).

[20] *See generally id.*

[21] *See Kirtsaeng*, 654 F.3d at 227 (Murtha, J, dissenting).

at stake is the continued flow of supply for customers who rely on the goods. Indeed, one of the ironies of this case is that while debate has been raging over the scope of the first sale doctrine, many of the players involved in the dispute have personally and directly benefitted from technology products that were manufactured abroad, contain copyrightable elements and were shipped to them by ASCDI/NATD's membership in reliance on the bright-line first sale doctrine of *Bobbs-Merrill*, including:

- John Wiley & Sons, Inc.—respondent in the case at bar;
- Gibson, Dunn & Crutcher LLP—counsel for respondent;
- Proskauer Rose LLP—counsel for American Publishers;
- The United States Supreme Court; and
- The United States Department of Justice.[22]

Given the importance of this stream of commerce and the historical role of the U.S.A. as a pillar of

[22] Each of the entities listed above has, during the past three years, received from ASCDI/NATD's membership at least one shipment of a foreign-manufactured technology product that contains copyrightable elements and was bought and sold in the secondary market without permission from the copyright holder: Wiley & Sons—a Lenovo laptop battery with copyrighted instruction manual; the Supreme Court—APC power units with copyrighted software; Gibson, Proskauer and the Justice Department—numerous computer products with copyrighted software and instruction manuals.

free enterprise, ASCDI/NATD finds it remarkable that the present dispute is occurring.[23] When the Framers met to craft the Constitution, one of their primary purposes was to facilitate trade without regard to state boundaries—hence the Commerce Clause.[24] More to the point in the case at bar, Congress and this Court have been vigilant in maintaining a balance between intellectual property rights on the one hand, and ownership rights on the other hand—including the right to own an item free-and-clear of restraints on alienation.[25] A key to maintaining this balance is the copyright law's first sale doctrine, under which holders of copyrights in a particular work exhaust those rights once the work is alienated by authority of the copyright holder.[26] Subsequent to that first sale the owner of the work is free to turn around and "sell it again."[27]

This bright-line construction of the first sale doctrine reflects the view of Adam Smith in his 1776 treatise WEALTH OF NATIONS that the right to engage in trade is a "natural liberty"—a view that

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[23] John Tyler, *Smugglers & Patriots: Boston Merchants and the Advent of the American Revolution* 238 (1986) (positing that the desire for free trade was a motivating factor for the American Revolution).

[24] U.S. Const., Art. I, § 8, cl. 3.

[25] *See, e.g., Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998).

[26] 17 U.S.C. § 109(a).

[27] *Bobbs-Merrill*, 210 U.S. at 350.

has imbued the values of America's merchants and consumers.[28] As a result, if a retailer finds an opportunity to acquire watches that Omega sold at a discount overseas, the retailer believes that it may buy those watches and resell them at a bargain price to American customers.[29] If an enterprising student spots an opportunity to buy medical textbooks in Thailand and resell them to budget-conscious students in the U.S.A., the student believes that in the land of liberty he is free to pursue the venture.[30] In the view of ASCDI/NATD, rather than being actionable events these are examples of transactions that the first sale doctrine was intended to protect.

The bright-line view of the first sale doctrine that if you own something you are free to "sell it again" also reflects the common law aversion to restraints on alienation. The classical doctrine against restraints on alienation helped free real property from onerous restrictions that could tie up title for generations; similar rationales have been applied to personal property.[31] In *Bobbs-Merrill*, the concept that ownership includes the right of alienation was central to how the Court framed the question presented:

> Was [the Copyright Act] intended to create. . . a restriction upon the subsequent

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[28] *Supra* n. 12 at 560.

[29] *Omega*, 541 F.3d at 984.

[30] *Kirtsaeng*, 654 F.3d at 213.

[31] *See* Manning, *supra* n. 13 at 373.

> alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it?[32]

In the case at bar the Second and Ninth Circuits would answer that question affirmatively, thereby burdening a huge class of goods with a restraint on alienation: Subject goods could not be imported to or resold in the U.S.A. without authorization from the copyright holder—even though the copyright holder previously authorized a sale to someone who "acquired full dominion" over the goods.

How would such a restraint play out in the commercial world? Presently merchants and consumers must be mindful that the goods they buy and sell are authentic—not counterfeit—and came to market lawfully and not, for example, because they were stolen. But merchants and consumers in the U.S.A. would face an additional burden: Ensuring that the goods, although authentic and placed into commerce lawfully, are of a provenance that permits them to be freely bought and sold in this country.[33] The result: A nation steeped in the principle of commerce as a natural liberty would be operating under a legal regime in which an owner wanting to sell, for example, a pocket calculator

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[32] 210 U.S. at 349-350.

[33] *Kirtsaeng*, 654 F.3d at 227 (Murtha, J., dissenting) (under the majority opinion "[a]n owner first would have to determine the origin of the copy—either domestic or foreign—before she could sell it)."

would need to discern whether it contains embedded software or an "Omega Globe" design or some other copyrighted element; if so the country where it was manufactured, which can be surprisingly difficult to determine;[34] and under the Ninth Circuit approach the location of the first sale.

Because most technology products are manufactured abroad[35] and contain copyrightable elements,[36] trade in these products would be severely restrained. Government agencies, schools, hospitals, consumers and businesses of every size and type would suffer supply shortages and increased costs for a wide range of mission-critical items—including computer servers, networking products, laptops, tablets and other technology goods. The members of ASCDI/NATD and many other merchants would be seriously harmed and jobs lost as a result. Here are specific examples of how this would occur:

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[34] Determining provenance can be difficult because many technology products are comprised of components that were manufactured in various countries, and the rules applicable to country-of-origin labeling are complex. *See, e.g.*, FTC, *Complying with the Made in USA Standard*, http://business.ftc.gov/documents/bus03-complying-made-usa-standard

[35] Edward Moyer, *A Tale of Apple, the iPhone, and overseas manufacturing*, CNET NEWS (2012), http://news.cnet.com/8301-13579_3-57363434-37/a-tale-of-apple-the-iphone-and-overseas-manufacturing/ (noting that not only are labor costs cheaper in China, but the supply chain for components needed in computer manufacturing is located in China).

[36] *See* Catsoulis, *supra* n. 4.

• In the fall of 2011, monsoon rains caused extensive flooding in the industrial zone in Thailand where most of the world's computer hard drives are manufactured, resulting in a severe worldwide shortage.[37] ASCDI/NATD's members, wanting to protect their customers in the U.S.A. and seeing an opportunity to increase their business, responded to the crisis by buying up new and used hard drives from distributors, brokers and other vendors abroad and then importing the hard drives to the U.S.A. As the computer manufacturers and their authorized distributors in the U.S.A. ran short on hard drives, ASCDI/NATD's members and other independent dealers stepped in to fill the void with stock that had been gathered from around the world. Examples of the technology users who benefitted from these independently-marketed hard drives include:

Government	**Education**
US Navy– Washington, D.C.	Vassar College– Poughkeepsie NY
VA Medical Center– East Orange NJ	Fowler Middle School– Maynard MA

[37] Thomas Fuller, *Thailand Flooding Cripples Hard-Drive Suppliers*, NEW YORK TIMES (Nov. 6, 2011), http://www.nytimes.com/2011/11/07/business/global/07iht-floods07.html?pagewanted=all (the flooding had the effect of "leaving the world's largest computer manufacturers without a reliable forecast about when crucial parts will be available again.")

Indiana Air Nat'l Guard–Terre Haute IN

Carlisle Police Dept–Carlisle PA

Healthcare

GE Healthcare–Wauwatosa WI

Magellan Health–Glen Allen VA

Texas Children's Hospital–Houston TX

St. Jude Medical–Hackettstown NJ

Legal

Sullivan & Cromwell–New York, NY

Latham & Watkins–Los Angeles CA

Weil, Gotshal–Jersey City, NJ

Dechert LLP–Philadelphia PA

Brookdale Comm. College–Lincroft NJ

Yale Public Schools–Yale MI

Corporate

Anschutz Company–Denver CO

Ticketmaster–Ashburn VA

Alcoa Inc.–Cleveland OH

Nikon Inc.–Melville NY

Finance

Wells Fargo Capital–Dallas TX

Northwest Fed'l Credit Union–Herndon VA

Farmers Nat'l Bank–Twin Falls ID

Bayview Financial–Miami FL

Defense Contractors	**Communications & Publishing**
General Dynamics IT–Chesapeake VA	AT&T Global–Aurora CO
Bechtel Nat'l–Richland WA	Army Times Publishing–Springfield VA
Northrop Grumman–Charlottesville VA	Verizon–Tampa FL
Smith & Wesson Corp.–Springfield MA	RR Donnelley & Sons–DePere WI
Nonprofit	**Small Business**
Museum of Modern Art–New York NY	Tasty Tacos–Des Moines IA
Nature Conservancy–Arlington VA	Marshalltown Tools–Fayetteville AK
Underwriters Labs–Northbrook IL	Coeur d' Alene Resort–Coeur d' Alene ID
Directors Guild–Los Angeles CA	Promenade Smiles–Casa Grande AZ

This is just a sampling—there were thousands of other technology users across all walks of American life that, in a time of shortage, needed the secondary market to supply them with hard drives.[38]

[38] The names and cities above are from actual shipments of secondary-market hard drives made to these technology users by ASCDI/NATD's membership during the time period of the worldwide hard drive shortage.

However, if the Second or Ninth Circuit approaches becomes the law of the land, technology users in the U.S.A. will be crippled in their ability to obtain mission-critical items such as hard drives when future shortages occur. Why? The answer is because most hard drives are manufactured abroad[39] and contain embedded, copyrightable "firmware" that controls their operation.[40] In other words, the tradability of hard drives in the U.S.A depends on the *Bobbs-Merrill* bright-line construction of the first sale doctrine.

• Many weapon systems continue to use older computer systems and defense contractors are sometimes "desperate to find the parts they need."[41] Over the past 22 years, ASCDI/NATD member XS International, Inc. in Alpharetta, Georgia, has supplied refurbished technology equipment to every branch of the military, many defense contractors and numerous federal agencies. The refurbished equipment can be anything from a decade-old processor for an F-15 flight simulator to

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[39] *See* Fuller, *supra* n. 37.

[40] *See Alcatel*, 166 F.3d at 778 (explaining that a "microprocessor card contains *firmware*, which is software embedded in the memory chip on the card.") *See also* Dataclinic, *Recovering data from hard disk drives with Firmware corruption/faults*, http://www.dataclinic.co.uk/hard-drive-firmware-corruption.htm (explaining how firmware controls the operation of hard drives).

[41] Benj Edwards, *If It Ain't Broke, Don't Fix It: Ancient Computers in Use Today*, PCWORLD 2 (2012), HTTP://WWW.PCWORLD.COM/ARTICLE/249951-2/IF_IT_AINT_BROKE_DONT_FIX_IT_ANCIENT_COMPUTERS_IN_USE_TODAY.HTML

a discontinued networking switch for a federal office.

A similar business is Sotel Systems LLC, a 31-year-old distributor of refurbished technology equipment based in Maryland Heights, Missouri, that employs more than 100 people. Sotel has supplied refurbished equipment to almost every federal agency and major defense contractor in the U.S.A. The refurbished equipment has ranged from telephones provided to Verizon following the 9-11 attacks in New York City to technology gear sold to the U.S. Marine Corps training center in Parris Island, South Carolina.

The businesses of XSi and Sotel would be jeopardized by adoption of the Second or Ninth Circuit approaches, thereby harming both of those companies, increasing the burden to taxpayers and potentially posing a threat to national security. Again, the reason is that most technology products are manufactured abroad[42] and contain copyrightable elements,[43] and therefore tradability of those products depends on the bright-line first sale doctrine.

• Especially during challenging economic times, governments, schools, hospitals and businesses in the U.S.A. are often trying to maintain older computer systems which are no longer supported by the manufacturer; not everyone can afford the "latest and greatest." To meet this demand, ASCDI/NATD's members reach out to sources around the

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[42] *See* Moyer, *supra* n. 35.

[43] *See* Catsoulis, *supra* n. 4.

globe to find the products needed to keep the computers running. One ASCDI/NATD member providing this service is Data Sales Company Inc., a 40-year-old technology dealer based in Burnsville, Minnesota, which employs more than 100 people. Another is Arbitech, LLC, a 12-year-old independent distributor based in Irvine, California, which employs more than 70 people. However, the ability to buy and sell discontinued computer products would be severely compromised by adoption of the Second or Ninth Circuit approaches, harming not only Data Sales Company and Arbitech but also those customers who depend on older products, no longer available from the manufacturers, to keep their computers running. Once again, because most technology products are manufactured outside of the U.S.A. and contain copyrightable elements, tradability of those products depends on the bright-line first sale doctrine.

• With 400 million units of electronic equipment being scrapped every year, electronic waste is a national problem.[44] The members of ASCDI/NATD and other merchants and consumers in the U.S.A. help promote reuse of electronic equipment by buying and selling such products in the global market. However, because most technology products are manufactured abroad and contain copyrightable

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[44] John McCardle, *Hill, Agencies Forge Ahead on E-Waste Efforts*, NY TIMES (May 2, 2011), http://www.nytimes.com/gwire/2011/05/02/02greenwire-hill-agencies-forge-ahead-on-e-waste-efforts-99832.html. See also EPA, *Management of Electronic Waste in the United States* (July 2008 rev.), http://www.epa.gov/osw/conserve/materials/ecycling/docs/fact7-08.pdf

elements, viability of the reuse market depends on the bright-line first sale doctrine of *Bobbs-Merrill*. If copyrighted products that were manufactured abroad contain a restraint on alienation, those products will be far more likely to be dumped in a landfill.

Persons who traded in technology products or other goods subject to the restraint on alienation would find themselves at risk of being haled into federal court and threatened with the severe sanctions imposed under the Copyright Act.[45] Mr. Kirtsaeng's experience—$37,000 in total sales resulting in a $600,000 judgment—portends what lies ahead if the Second or Ninth Circuit approaches becomes the law of the land.[46] Millions of transactions that have taken place on eBay, Craigslist, Amazon and in retail stores, flea markets, garage sales and other venues nationwide would be rendered illegal. Federal courts would be hit by a wave of copyright-infringement litigation—and make no mistake about it, the sharks are already circling.[47]

Adoption of the Second or Ninth Circuit approaches would also damage the judicial branch's credibil-

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[45] *See* 18 U.S.C. § 2319.

[46] *See Kirtsaeng*, Petition for a Writ of Certiorari, No. 11-697 at 3-4.

[47] *See, e.g.*, Douglas R. Wolf & Anderson J. Duff, *IP: Copyrights used to stop grey market goods—the good and the bad*, INSIDE COUNSEL (2011), http://www.wolfgreenfield.com/news-stand/460-copyrights-used-stop-grey-market-goodsthe-good-bad.

ity. Imagine the reaction of the average American if told that the Supreme Court says her clock radio—an item she bought and paid for—cannot be sold at the church rummage sale because it was manufactured in China and the digital display is driven by copyrighted software; instead she needs to find out who owns the copyright and try to get permission.

Rationality cries for a credible alternative—and that alternative has been provided by Judge Murtha in his dissent. Judge Murtha opined that the phrase "lawfully made under this title" refers simply to *lawfulness of manufacture* rather than *place of manufacture*."[48] His interpretation is statutorily correct, accords with common sense and avoids the enormous disruption that will occur if either the Second or Ninth Circuit approaches becomes law of the land.

[48] *Kirtsaeng*, 654 F.3d at 226 (Murtha, J., dissenting).

CONCLUSION

Interpreting "lawfully made under this title" in a manner that imposes a restraint on alienation of goods that were lawfully manufactured and placed into commerce with authority of the copyright holder will severely disrupt the market for technology goods and many other vital products, causing harm to merchants, governments, schools, hospitals and consumers across the U.S.A. ASCDI/NATD respectfully submits that the Second Circuit's decision should be reversed.

Dated: July 2, 2012

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG D/B/A Bluechristrine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF BUSINESS SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF THE *AMICUS CURIAE*

The Business Software Alliance (BSA) is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. BSA members rely on copyright protection to establish property rights in their critical assets and provide essential legal protection for their substantial investments in those assets. As a group, they hold a significant number of copyrights. Because copyright policy is vitally important to promoting the innovation that has kept the United States at the forefront of software development, BSA members have a strong stake in the proper functioning of the U.S. copyright system.

The members of the BSA include Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Intel, Intuit, McAfee, Microsoft, Minitab, Progress Software, Quest Software, Rosetta Stone, Siemens PLM, Sybase, Symantec, and The MathWorks.[1]

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[1] Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been filed with the Clerk's office.

SUMMARY OF ARGUMENT

The market for software represents one of the most powerful engines for innovation in the American economy. Indeed, the software industry is not just at the forefront of productivity in America's twenty-first century economy, but software also drives the success of America's other great industries. The health of the software industry is thus of paramount importance.

The vitality of the software industry depends in large part on strong copyright protections. One of those protections is the right to choose to either authorize or prohibit importation of software into the United States, as set forth in Section 602 of the Copyright Act. Petitioner, however, contends that the Section 602 right should be subsumed by the first sale doctrine, such that software creators would be unable to prevent the distribution of foreign versions of their software in this country. That approach threatens harmful consequences to the software industry that Congress could not have intended and that cannot be reconciled with the text, structure, or purpose of Section 602. Instead, the public good is best furthered by the innovation and creative expression that is fostered when authors are given exclusive control over authorizing or prohibiting the distribution of their works.

Specifically, as Part I explains, the market for digital goods, and software in particular, is highly dependent upon and improved by the author's right to authorize and prohibit importation. When software is sold in foreign markets, it is very often highly tailored to the particular needs of that market

in terms of features, licensing, and commercial terms. Consumers and authors alike benefit from this arrangement. Consumers are able to purchase a product specifically tailored and priced to their needs, and authors are able to reap and re-invest (in both domestic and foreign markets) the benefits of selling a desirable product.

But those benefits will be materially diminished if authors are unable to prevent the resale of their work in the United States. In the first place, software authors will have little incentive to price their programs for foreign markets if they can simply be resold in the United States, and thereby undercut the price of the domestic version. Nor will they engage in the valuable process of customizing works for foreign markets, which if made available domestically would alienate American consumers who likewise demand software tailored to their needs. No one wins in that scenario. Foreign consumers will be deprived of a product that would be useful to them, and authors will have fewer resources to innovate for both domestic and foreign markets.

Moreover, the importation of digital works like software poses particularly grave policing problems. When someone imports a book into the United States, it is clear that particular copy no longer resides in the foreign market. That is not the case with software, which may continue to reside on the original purchaser's computer even as it is resold in the United States. To be sure, pirated copies are not protected by the first sale doctrine, but enforcement authorities and consumers alike may not be able to tell what is pirated in the first place. The result is

that software authors again will be deprived of the fruits of their labors and be less able to invest in new creative endeavors.

As explained in Part II, not only does Petitioner's argument have disastrous policy consequences, but as a matter of statutory interpretation it employs a far less faithful reading of Section 602 than the Second Circuit's interpretation. *See infra* Part II. Petitioner's position does not so much balance the importation and first sale provisions, but read the former entirely out of existence, while putting too much weight on the latter. That result would be improper under any circumstances, but it is particularly so here given the obvious care that Congress took over decades in crafting Section 602. Accordingly, *amicus* BSA respectfully asks this Court to affirm the judgment of the Second Circuit.

ARGUMENT

I. THE EXCLUSIVE RIGHT TO CONTROL IMPORTATION IS NECESSARY FOR INNOVATIVE AND EFFICIENT MARKETS, AND IN PARTICULAR THE SOFTWARE MARKET.

A. Copyright Law Harnesses Individual Incentives To Further The Public Good.

The fundamental purpose of the Copyright Act is to implement the Constitution's mandate to promote creative works by securing to authors control over their works for limited time periods. The Act's genius is that, by so doing, the public at large benefits from the fruits of that creativity.

To provide authors with necessary incentives to create new works – works that provide significant benefits to the public at large – the Copyright Act grants authors specified rights with respect to the results of their creative endeavors. "The rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985); *see also Fox Film Corp. v. Doyal*, 286 U.S. 123, 127-128 (1932) ("A copyright, like a patent, is 'at once the equivalent given by the public for benefits bestowed by the genius and meditations and skill of individuals, and the incentive to further efforts for the same important objects.'") (quoting *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 328 (1858)).

By recognizing that individual incentives serve the public good, copyright, patent, and intellectual property law generally, strike "a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *see also Stewart v. Abend*, 495 U.S. 207, 228 (1990) (The Copyright Act "creates a balance between the artist's right to control the work during the term of the copyright protection and the public's need for access to creative works.").

To achieve this balance, Congress has deliberately and carefully enacted a regime that harnesses individual incentives to benefit the public good. To this end, "copyright law celebrates the

profit motive, recognizing that the incentive to profit from the exploitation of copyrights *will redound to the public benefit* by resulting in the proliferation of knowledge. . . . The profit motive is the engine that ensures the progress of science." *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) (quoting *Am. Geophysical Un. v. Texaco, Inc.*, 802 F. Supp. 1, 27 (S.D.N.Y. 1992), *aff'd*, 60 F.3d 913 (2d Cir. 1994) (ellipses in original)) (emphasis in original). In other words, "[r]ewarding authors for their creative labor and 'promot[ing] . . . Progress' are thus complementary; as James Madison observed, in copyright '[t]he public good fully coincides . . . with the claims of individuals.'" *Id.* (quoting The Federalist No. 43, 272 (C. Rossiter ed. 1961)) (alternations in original)).

Consistent with the above, Congress has granted to authors certain exclusive controls over the fruits of authorship. In particular, Section 106 of the Act confers on the copyright owner the exclusive rights of reproduction, distribution, public performance, and public display, as well as the creation of derivative works. *See* 17 U.S.C. § 106. And while these rights are not wholly absolute, *see e.g.*, fair use, they reflect a copyright regime in which, in the main, Congress has chosen to further the goals of copyright by "establishing a marketable right to the use of one's expression" and thereby "suppl[ying] the economic incentive to create and disseminate ideas." *Harper & Row*, 471 U.S. at 558.

It is against this backdrop that the Court must assess the scope of Section 602, which by its terms provides copyright owners the exclusive right to control the importation of their works into this

country. The question in this case is whether the first sale doctrine recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 351 (1908), and codified in 17 U.S.C. § 109, extinguishes an author's right to control importation of copyrighted works, when copies of those works are originally made and sold overseas. With no shortage of hyperbole, and notwithstanding the fact that no Court of Appeals has ever held in favor of his position, Petitioner suggests that this Court must hold that the first sale doctrine supersedes Section 602(a)'s importation right lest dire consequences for the American economy result. *E.g.*, Pet'r Br. at 57-61 (asserting that "[e]ven cherished American traditions, such as flea markets [and] garage sales" will be lost if the judgment below is affirmed).

Petitioner fails to consider the economic consequences of his position on industries that customize their products for a global marketplace, such as the software industry. If Section 602 is read as Petitioner suggests, industries such as this will lose the very incentives for creativity and innovation that Congress intended to foster.

B. The Public Good Is Furthered When Creators Of Software Have The Right To Control The Importation Of Their Works.

Section 602 and its relationship to the first sale doctrine have a special resonance for authors in one particular market in which American creativity flourishes: the market for software. For digital works, which comprise an ever-increasing percentage of copyrighted material, and especially for software, the right to control importation is paramount to

ensuring that those works will be made available to the public. The right to exclude from American distribution software tailored to foreign markets affords enormous benefits to authors and the public alike. Construing the first sale doctrine to supersede the right to exclude could lead to dramatic curtailment of these benefits and impose a host of harms on software creators and consumers.

1. More than most types of creative works, and even more than most types of digital works, software is customized to respond to the particularities of foreign markets. This customization takes place along two dimensions: the tailoring of licensing terms and conditions, including setting price terms consistent with local market conditions, and the localization of features.

The first important aspect of localization is tailored commercial terms, which ensure that software is priced optimally and packaged with optimal license terms for the market conditions that prevail in a country. For example, software licensed in a developing country might be priced lower than comparable software licensed in the United States and might also offer different license terms and conditions. As discussed below, tailored commercial terms benefit both local consumers and copyright holders. Localization also allows software developers to tailor their products to the specific needs and tastes of customers in individual foreign markets.[2]

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[2] "Localization . . . is the process of adapting a product or service to a particular language, culture, and desired 'look and feel.'" Leandro Reis, *Globalization Myth Series – Myth 1:*

The benefits to this practice are myriad. Most obviously, localization allows companies to attract customers who may not want to use English language products.[3] But localization is not just

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Software Globalization = Internationalization = Localization = Translation, Adobe Globalization, Apr. 12, 2012, *available at* http://blogs.adobe.com/globalization/globalization-myth-series-myth-1-software-globalization-internationalization-localization-translation/ (last visited Sept. 5, 2012).

[3] For example, localization allows software developers to design programs that correspond to the preferences of their users, and are therefore more satisfying. *See generally* Niko Papula, *Smartphone Application Markets Prove the Strategic Benefits of Software Localization*, TRANSLATION BLOG (Sept. 30, 2011), *available at* http://translation-blog.multilizer.com/smartphone-application-markets-prove-the-strategic-benefits-of-software-localization-data/ (last visited Sept. 5, 2012) (Among smart phone applications, at least, "we can make a conclusion that different language markets are still surprisingly isolated from each other."). Indeed, localization may even be required to enter a foreign market. *See, e.g.*, Elizabeth Manera Edelstein, Comment, *The Loi Toubon: Liberte, Egalite, Fraternite, But Only On France's Terms*, 17 Emory Int'l L. Rev. 1127, 1127 (2003) ("The most notorious of France's linguistic protectionist measures . . . is the loi Toubon of 1994, which decreed that French must be used in . . . commerce."); *also* Licensing Microsoft Dynamics, MICROSOFT DYNAMICS ("Organizations doing business in a particular country must comply with country-specific laws, regulations, and common business practices to handle their daily business transactions and operations and meet their legal obligations for activities conducted in the country. . . . [N]on-adherance to these laws and regulations can lead to severe consequences for an organization doing business in that country.") (footnote omitted), *available at* http://www.microsoft.com/en-hk/dynamics/localization-translation.aspx (last visited Sept. 5, 2012).

about linguistic customization. There are a host of other ways that software might be customized for a foreign market. For example, architectural software may need to adhere to local regulations, including wattage and construction ordinances; payroll software may have to be customized to local currency; and communications software may have to comply with local privacy or other regulatory requirements. Other forms of tailoring serve inherently practical yet critical considerations, such as inserting dates according to a European day/month/year format, or including a period to separate numerals rather than the American comma (*i.e.* 1,000 vs. 1.000). Thus, while a book might be customized for a foreign market in the sense that it is translated into a local language, (and a musical work might not be customized at all), software is customized for foreign use in a myriad of subtle, and not so subtle, ways.

The benefits of this customization are obvious. To the foreign consumer, customized software and an appropriate price means more value. And, as this Court has explained, the public at large benefits from the increased innovation fostered by additional consumption. *See Eldred*, 537 U.S. at 212 n.18. But these benefits also extend beyond the initial transaction between author and consumer. Software is itself a tool for innovation, and thus the more the software is used in a given market, the greater the productivity in that market. Customers in foreign markets who have access to applications to create documents, databases, spreadsheets, websites, music, movies, and more will themselves create useful works that redound to the benefit of the public

in both foreign and domestic markets. And on the supply side, the revenues realized from a sale of a highly desirable product can be reinvested by software authors to create ever more desirable products for foreign and domestic consumption – which, again, the Framers ensured they would be incentivized to do. *See supra* at 5-6.

2. But the benefits of a dual-market strategy depend upon the author's ability to prevent unauthorized products sold in the foreign market from entering the U.S. market. Software creators will have reduced incentives to offer software at an optimal price for a foreign market if the software can be arbitraged in the U.S. market – and such arbitrage is particularly likely to occur with software, which can be digitally transmitted with ease. A company will simply not be able to offer a version of photo-editing software for $200 in Turkey, if someone could buy it there and resell it in the United States for $450, *i.e.*, $100 less than the American version. The result is that fewer foreign consumers will be able to purchase the software, depriving them of its benefits. And such companies will have fewer resources to develop new products for use in the United States and abroad.

Likewise, without control over whether a foreign version of a piece of software can be excluded from the American market, software creators run a real risk that American consumers who purchase those foreign versions (whether knowingly or not) may be unhappy with the foreign product. For example, a U.S. consumer who purchases word processing software in which the default is set to British English will not be pleased when the software

consistently corrects the consumer's spelling of "color." Software customized for foreign markets, by definition, will not be tailored to American needs, which could lead to customer dissatisfaction with the software brand. And of course other applications (*e.g.*, engineering software tailored to foreign regulations) may present even more serious difficulties.

As a result, the need to control importation is even greater for software creators than it is for watch makers or textbook authors. Ultimately, the versions of those products sold abroad *function* the same as those sold domestically. But that is not true of software, and accordingly software creators must fear both price arbitrage and consumer backlash when their works are imported.

3. The right to exclude imports is also of particular importance to software creators because it is a major check on piracy. By their very nature, digital works are especially vulnerable to piracy. There is little doubt that a foreign consumer who resells a book in the domestic market has not retained a copy for himself. But a work of software may continue to reside on a foreign consumer's computer even if the consumer resells the program, making it difficult, and in some cases effectively impossible, to tell whether any given reseller is actually conducting a lawful sale. Similarly, the barriers to creating *new* piratical copies of a digital work are far lower than their non-digital equivalent.[4]

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[4] In addition to bolstering good faith anti-piracy efforts, controlling importation is also critical in countries unable or

A pirated copy, of course, is not protected by the first sale doctrine. But the point is that weakening the right to control importation further exacerbates the difficulties that law enforcement agents, authors, and would-be consumers already face in determining whether a given copy of software is in fact pirated. Indeed, if the lawful copy was produced to the customs agent, it would be virtually impossible to know whether a second pirated copy had been retained. Combating piracy is difficult enough, particularly when it involves stopping imports from countries that lack rigorous anti-piracy measures. Allowing those imports under the guise of the first sale doctrine will make stopping piracy that much more difficult.

4. Petitioner attempts, in vain, to suggest that Section 602 will retain meaning under his construction of the Copyright Act in two situations: (1) where a copy is not "owned" but transferred by license or other legal means; and (2) where the copy is made overseas not by authority of the copyright owner, but under a statutory basis like a compulsory license. Pet'r Br. 44-45. He suggests that these situations will shield authors like BSA's members from the ramifications of weakening their right to restrict imports of goods sold in foreign markets. *See*

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unwilling to undertake anti-piracy efforts in the first place. *See generally* Michael Stolpe, *Protection Against Software Piracy: A Study of Technology Adoption for the Enforcement of Intellectual Property Rights*, 9 ECON. INNOV. NEW TECH. 25, 37 (2006) (Noting that, "[i]n some markets, contemporaneous *price discrimination* can help to reduce the incentives for piracy." (emphasis in original)).

Pet'r Br. 44-45. This argument does not provide any meaningful comfort to software developers.

To be sure, as Petitioner recognizes, Section 109 makes clear by its plain wording that it applies only to an "owner of a particular copy." *Id.*; *see also Quality King Distrib., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 146-47 (1998) ("because the protection afforded by § 109(a) is available only to the 'owner' of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, licensee, a consignee, or one whose possession of the copy was unlawful."). And thus Petitioner is correct when he acknowledges that Section 109 indisputably does not curtail Section 602 in licensing situations and situations where copies are made without permission of the copyright owner, which are two important limitations to the software industry.

But the use of licensing arrangements does not provide sufficient security to BSA's members, and is not the only form of security to which they are entitled to under the law. As Respondent explains, Section 602 is framed broadly to apply to all instances of "importation," and does not disappear in cases where a work is licensed rather than sold. *See* Resp. Br. 25-26. Domestically, the law of software licensing is under continuing evolution and the enforceability of a license generally turns on fact-specific inquiries. *E.g.*, *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111 (9th Cir. 2010), *cert. denied*, 132 S. Ct. 105 (2011) ("a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2)

significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions."). And the situation is even less reliable abroad. *See e.g.*, *UsedSoft GmbH v. Oracle Int'l Corp.*, 2012 E.C.R. C-128/11 (holding that First Sale Doctrine repudiates *domestic* licenses). Equally so, complicated questions of privity may complicate enforcement against downstream possessors and distributors of licensed software. Copyright owners depend on *both* the law of copyright and the law of licenses for protection, and this Court should reject Petitioner's invitation to constrict the former simply because in some instances the latter may apply.

In sum, the rights conferred by Section 602 to control importation of one's own works are critical to fostering innovative, efficient, and legitimate markets, and to promoting creativity. To be sure, Section 109's first sale doctrine recognizes that resale markets are important, but those resale markets cannot be privileged to the extent that they materially hinder, or even extinguish, primary ones. The resulting loss to both the authors and the consumers is exactly the opposite of the balance Congress attempted to strike in the Copyright Act. In a world in which they cannot control importation of their works, BSA's members will be confronted by an unpalatable choice – sacrifice foreign sales by including less localization of price and features in works sold abroad, or alternatively sacrifice domestic sales that will be lost due to consumer unhappiness with products never intended for American consumers. Either outcome will reduce innovation

and could have dire consequences for the software industry.[5]

II. THE SECOND CIRCUIT'S DECISION IS NOT JUST GOOD POLICY, IT IS GOOD LAW.

The Second Circuit's decision appropriately strikes the balance that Congress intended in the Copyright Act. But that is not its only virtue. While the decision is clearly in accord with the principles espoused in the Copyright Act, it is also firmly anchored in the plain text of the statute and canons of statutory interpretation, strongly supported by this Court's prior precedent, and closely tied to the Act's legislative history.

1. The Second Circuit correctly held that the first sale doctrine is inapplicable to goods manufactured abroad. Codified at 17 U.S.C. § 109, the doctrine permits "the owner of a particular copy . . . lawfully made under this title" "to sell or otherwise dispose of possession of that copy." By the statute's plain terms, then, a copy not "lawfully made under this title" confers no first sale rights. *See Quality King*, 523 U.S. at 142 n.9.

This Court's analysis need not look past the plain text of Section 109. Under the plain text of the statute, works manufactured abroad are not "lawfully made under" Title 17. As this Court has long recognized, the Copyright Act does not apply to manufacturing that occurs exclusively outside of the

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[5] Moreover, because of the negative effects on innovation, either outcome will in turn have the perverse result of depleting *all* markets of the works they sell, including the secondary markets Petitioner celebrates.

United States. *See, e.g.*, *United Dictionary Co. v. G & C Merriam Co.*, 208 U.S. 260, 264 (1908); 4 *Melville B. Nimmer & David Nimmer on Copyright* § 17.02, at 17-19 (2012); *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1095-96 ("The undisputed axiom [is] that the United States' copyright laws have no application to extraterritorial infringement." (quotation marks and citations omitted)).

To be sure, as Section 602(a) demonstrates, there are limited rights conferred under the Copyright Act that have extraterritorial application. But "'far from being overcome,'" "the presumption against extraterritoriality . . . 'is doubly fortified by the language of' these provisions, which reveal that Congress knew how to – and did – specify where extraterritorial application was to occur. *See Subafilms*, 24 F.3d at 1096 (quoting *Smith v. United States*, 507 U.S. 197, 204 (1993))); *see also* 17 U.S.C. § 602(a) (permitting control of importation go goods "*acquired* outside the United States," (emphasis added)). As this Court has "stated time and again, . . . courts must presume that a legislature says in a statute what it means and means in a statute what it says." *Arlington Central School Dist. Bd. of Educ. v. Murphy*, 548 U.S. 291, 296 (2006) (quotation marks omitted). Here, Congress clearly meant to preclude the first sale doctrine from extraterritorial application.

But even if the statute is construed to be ambiguous, as explained by the Second Circuit majority, principles of statutory interpretation compel the conclusion that the first sale doctrine does not apply to copies made overseas. It is well

established that "statutes [should] be construed in a manner that gives effect to all of their provisions." *United States ex rel. Eisenstein v. City of New York*, 556 U.S. 928, 933 (2009). As the Second Circuit rightly recognized, the importation right codified in Section 602(a) "would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every copy manufactured abroad that was either made 'subject to protections under Title 17,' or 'consistent with the requirements of Title 17 had Title 17 been applicable.'" *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 221 (2d Cir. 2011) (quoting statute).

Equally so, it is "a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989); *accord John Wiley*, 654 F.3d at 220 n.39. Here, to the extent the Act places a thumb on the policy scales, it expresses a preference for the exclusive rights granted to the author, because those rights are the means by which Congress implemented the Act's basic purpose. Petitioner's contrary interpretation, which requires the Court to find within the Act a principle favoring secondary markets at the expense of disfavoring protection of the author's exclusive rights, is untenable in light of the underlying purpose of the statute.[6]

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[6] For these very good reasons this was also the view of the United States government in *Costco v. Omega*, *see* Brief for the United States as Amicus Curiae Supporting Respondent, *Costco*

This Court's precedent supports this reading of the statute. As this Court explained in *Quality King*, Section 602(a) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category [plainly] encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U.S. at 146-47. This Court therefore drew a distinction recognizing that copies lawfully made "under the law of some other country," are not "lawfully made" under Title 17. This Court's interpretation is in accord with the plain text of the statute as well as the relevant canons of statutory interpretation.[7]

2. While the Court need not look beyond the plain text of the statute and its own precedent interpreting that text, limiting the first sale doctrine to domestic copies also finds support in the legislative history of the importation provision. Congress enacted Section 602 as part of the 1976 Copyright Law revision, and the accompanying House Report makes clear that "[S]ection 602 . . . deals with two separate situations: importation of 'piratical' article[s] (that is, copies . . . made without

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Wholesaler Corp. v. Omega, S.A., 131 S. Ct. 565 (2010), (No. 08-1423), 2010 WL 3512773, and further finds support among the leading copyright law authorities, *see id.* at 16 n.3 (collecting authorities).

[7] It is also eminently practical. If the first sale doctrine preempted an author's exclusive right to control importation, it would leave U.S. courts with the difficult task of determining whether a foreign "sale" had occurred. This would require case-by-case application of foreign law, presumably in the first instance by customs officials, but inevitably by U.S. courts.

any authorization of the copyright owner), and unauthorized importation of copies . . . that were lawfully made." H.R. Rep. No. 94-1476, at 169 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5785.

This distinction, and the corresponding right to exclude both, was the product of considered deliberation. As early as 1963 – 13 years prior to the 1976 revision – Congress received proposals from the Register of Copyrights to confer authors with an exclusive right to control importation. *See* COPYRIGHT LAW REVISION, 88TH CONG., DISCUSSION AND COMMENTS ON THE REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, PART 3, at 32-33 (Comm. Print 1964). Congress then spent more than three years holding hearings and otherwise receiving information about a potential importation right. *Compare Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 before the Subcomm. No. 3 of the H. Comm. on the Judiciary* (Serial No. 8 (Part 2)), 89th Cong., 1041-43, 1064-65 (1965) (testimony by motion picture industry that exceptions to the bill would permit importation for renting and lending that would swallow the importation right) *with Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 before the Subcomm. No. 3 of the H. Comm. On the Judiciary* (Serial No. 8 (Part 1)), 89th Cong., 1st Sess., at 468 (1965) (testimony by library community that there should be no geographic limitation on the ability to sell one's work).

Ultimately, Congress struck a balance between these competing interests, by conferring a broad right to block importation while preserving certain

governmental and private uses. *See* H.R. Rep. No. 89-2237, at 32 (1966). It is simply untenable that Congress expended this much effort and attention to delineating the scope of the right to control importation while somehow also intending for the newly minted right to be rendered immediately superfluous by the pre-existing first sale doctrine.

At bottom, the first sale doctrine is an exception to the exclusive rights that the Act grants to copyright holders. There is no basis in law or history for suggesting that Congress tilted the scales of the Copyright Act to prefer creation of broad secondary markets over vigorous protection of the exclusive rights granted to copyright owners. Such an approach would permit the exception to swallow the rule and would directly contradict the well-established principle that Congress's main concern was to provide a sufficient incentive for creation of new works. "[T]he Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas." *Harper & Row*, 471 U.S. at 558. Accordingly, this Court must reject Petitioner's stated preference of secondary markets, which runs directly counter to the fundamental protections that copyright law is intended to provide.[8]

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[8] BSA submits that the Second Circuit's holding is both correct and appropriate for affirmance in this case. However, it would also be appropriate in the alternative for the Court to affirm the result below by relying on the reasoning of the Ninth Circuit in *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010).

CONCLUSION

The judgment of the Second Circuit should be affirmed and the case remanded for further proceedings.

Respectfully submitted.

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In *Omega*, the Ninth Circuit held that Section 109(a) "refers 'only to copies legally *made* . . . in the United States,'" *id.* at 990 (quoting *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991) (ellipses in original)), without deciding whether there is an exception to this rule where the copies are made abroad but *sold* domestically. *Id.* (recognizing that prior Ninth Circuit cases had recognized such an exception, but declining to consider whether intervening Supreme Court precedent called those cases into doubt). As explained in Respondent's brief at 35-38, the Ninth Circuit's reasoning is more faithful than Petitioner's to the statutory text and the goals of copyright law.

AMICUS CURIAE BRIEF

SUPREME COURT, U.S.
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In the Supreme Court of the United States

SUPAP KIRTSAENG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit

BRIEF OF *AMICUS CURIAE* COSTCO WHOLESALE CORPORATION IN SUPPORT OF PETITIONER

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BRIEF OF *AMICUS CURIAE* COSTCO WHOLESALE CORPORATION IN SUPPORT OF PETITIONER

INTEREST OF THE *AMICUS CURIAE*[1]

Costco Wholesale Corporation ("Costco") operates a chain of more than 550 membership-warehouse clubs in the United States and abroad. With annual sales of more than $70 billion, Costco is the third-largest retailer and the largest membership-warehouse club in the United States. More than 50 million cardholders shop at its warehouse locations.

Costco is known for selling genuine brand-name merchandise to its members at prices lower than its competitors. The first-sale doctrine plays an important role in Costco's ability to do so. In the course of its business, Costco often sells copyrighted products that, although genuine, were not purchased directly from the copyright owner.

Costco has for years been sued on claims that its sales violate Section 602 of the Copyright Act. See, *e.g.*, *Diseños Artisticos E Industriales, S.A.* v. *Costco Wholesale Corp.*, 97 F.3d 377 (9th Cir. 1996). It filed an *amicus* brief in support of the prevailing party in *Quality King Distribs., Inc.* v. *L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998), and it was the petitioner when the question presented here was last before

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[1] The parties' letters of consent to the filing of this brief are lodged with the Clerk. No counsel or party wrote this brief, in whole or in part, or made a monetary contribution to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission.

this Court. *Costco Wholesale Corp.* v. *Omega, S.A.*, 131 S. Ct. 565 (2010).

SUMMARY OF ARGUMENT

The first-sale doctrine, codified at 17 U.S.C. § 109(a), precludes distribution and importation liability for "the owner of a particular copy * * * lawfully made under this title." The scope of the doctrine thus turns on the interpretation of those 11 words.

Petitioner correctly argues that the first-sale doctrine gives the owner of any copy of a work made consistent with the Copyright Act the right to dispose of that particular copy without facing liability for unauthorized importation or distribution. Under that view, the doctrine would apply where, as here, a particular copy was made and sold abroad by a U.S. copyright owner. But it would not apply where a copy either was made in a manner *not* recognized by the Act, such as under a foreign compulsory license, or was never sold, as in the case of bailments, rentals, and licenses. The court below conceded that petitioner's interpretation is "consistent with a textual reading of § 109(a)." Pet. App. 24a. So did the United States when the issue was last before this Court. See Brief for the United States as *Amicus Curiae* 17 (No. 08-1423).

Petitioner's interpretation is not merely grounded in the text of the Act, however. It also best reflects the historical sweep of the first-sale doctrine and the concerns of those who drafted Section 109(a). See *L.A. Westermann Co.* v. *Dispatch Printing Co.*, 249 U.S. 100, 109 (1919) (interpreting Copyright Act of 1909 by reference to "the reports of the committees on whose recommendation the act was passed"). Before 1976, the first-sale doctrine applied to "any copy of a copyrighted work the possession of which has

been lawfully obtained." Pub. L. No. 60-349, § 41, 35 Stat. 1075, 1084 (1909). As respondent concedes, under that regime the first-sale doctrine undoubtedly would have applied to "the textbooks at issue here." Br. in Opp. 23.

When the doctrine was rephrased in 1976, its scope was refined—but not in the manner that respondent contends. On the one hand, the doctrine was narrowed so that it would apply solely to "owners." Although the significance of that change is often now overlooked, it reflected a central concern of the Act's drafters. On the other hand, the doctrine was also expanded so that it would apply not only to copies made with the authority of a copyright owner, but *also* to copies made consistent with other provisions of Title 17—including copies "lawfully made under" the compulsory license provision in 17 U.S.C. § 115.[2]

Lacking any historical support for its interpretation of Section 109(a), respondent argues that the first-sale doctrine must be abrogated for copies made abroad in order to "preserve[] the congressional purpose in enacting an import limitation" codified at 17 U.S.C. § 602(a).[3] Br. in Opp. 13. That importation

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[2] Section 115 provides that, once a copyright owner records a composition and distributes it to the public, others are also entitled to record and distribute copies of that composition, subject to the payment of statutory royalties and other minimal requirements.

[3] In October 2008, Congress amended Section 602. See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4256, 4259. The importation restrictions, formerly codified at Section 602(a), were renumbered as Section 602(a)(1). All citations

limitation, respondent claims, was "designed to permit copyright holders to treat international and domestic markets differently." Br. in Opp. 13. Those arguments are wrong.

As this Court explained in *Quality King*, even if the first-sale doctrine applies (as here) to copies made and sold abroad by the U.S. copyright owner, Section 602(a) still "retain[s] significant independent meaning." 523 U.S. at 148-49. Among other things, that provision bars the importation of piratical copies, copies held by nonowners, copies made in countries without copyright law, and copies authorized solely by foreign law. *Id.* at 146-47. Respondent concedes that petitioner's interpretation does not render Section 602(a) superfluous, but protests that petitioner's reading would render it inapplicable to the "vast majority of cases" involving copies made abroad today. Br. in Opp. 25. But that claim misses the mark. The frequency of Section 602(a)'s applicability *today* is not what is important. What matters, is that *at the time the section was drafted and enacted* there was considerable concern in Congress about copies made by those without any authority recognized by the Copyright Act, as well as about copies in the hands of nonowners, such as licensees and bootleggers. Those concerns, which animated the drafting of both Section 109(a) and Section 602(a), support petitioner's argument about how the two sections work together.

Equally flawed is respondent's claim that Section 602(a) was intended to provide copyright protec-

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[Footnote continued from previous page]

in this brief to "Section 602(a)" are to the prior version, now Section 602(a)(1).

tion to private, contractual agreements to divide markets. The matter was discussed, and pressed by industry representatives, but tellingly *no consensus was ever reached* on whether such a right should be granted or (if so) how it would interact with the first-sale doctrine. Respondent's assertions to the contrary distort the legislative record. In any case, respondent entirely fails to answer the central question raised by its position: If Congress truly intended to provide copyright owners a statutory power to divide international markets, why would it have made that power depend on making the copies abroad? Respondent has no answer, and no sensible answer exists. That may explain why, contrary to respondent's suggestion, 20 years of legislative history is silent on the matter.

The history of related sections of the Copyright Act of 1976 also supports petitioner's argument. The manufacturing provision formerly codified at 17 U.S.C. § 601, for example, explicitly was enacted to give greater copyright protection to copies made in the United States than to those made abroad. It was ultimately repealed so as to make the level of copyright protection not turn on the place of a copy's manufacture. Respondent's argument that copies *made abroad* should be given greater protection than those made at home therefore manages to be dissonant with the rationales for both enacting *and* repealing Section 601.

Petitioner's argument is also consistent with congressional action since 1976. When Congress did make changes to the first-sale doctrine, it took pains to ensure they were "narrowly drafted." H.R. REP. NO. 101–735, 101st Cong., 2d Sess. 4 (1990) ("1990 House Report"). For example, Congress chose to limit an owner's right to rent sound recordings and

computer software, but not audiovisual works like movies. That precision is simply inconsistent with the notion that Congress, before these long-debated amendments, had *already* excluded *all* of these works from the first-sale doctrine so long as they were copied abroad. Congress provided further confirmation in 1990, when it again amended the first-sale doctrine and again used the phrase "lawfully made under this title"—this time, to reach a copy of a U.S.-copyrighted video game that *was made and sold in Japan*, precisely the kind of copy respondent now incorrectly asserts is not subject to the first-sale doctrine at all.

I. THE FIRST-SALE DOCTRINE HISTORICALLY APPLIES WITHOUT REGARD TO PLACE OF MANUFACTURE

"The exhaustion of any rights by the first authorized sale is a basic tenet of our intellectual property law." H.R. REP. NO. 98-781, 98th Cong., 2d Sess. 23 (1984). See also H.R. REP. NO. 98-987, 98th Cong., 2d Sess. 2 (1984) ("1984 House Report") ("The first sale doctrine has its roots in the English common law rule against restraints on alienation of property.").

This Court first applied the exhaustion principle to copyright law in *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908), decided under the Copyright Act of 1891. There, as here, a publisher attempted to prevent the resale of genuine copies, lawfully obtained in the stream of commerce, for prices less than the manufacturer preferred. *Id.* at 341-43. The Court rejected the manufacturer's claim that the resale violated the exclusive right to "vend" under Section 1(a) of the 1891 Copyright Act, explaining that the copyright owner had already "s[old] copies of the book in quantities and at a price satisfactory to it" when it

made its first sale into the stream of commerce. 210 U.S. at 343, 351. As the Court explained, "the copyright statutes while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose * * * a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract." *Id.* at 350. Thus, "[t]he purchaser of a book, once sold by authority of the owner of the copyright, may sell it again." *Ibid.*

The purpose of such a rule is clear. The law "accords the copyright owner the 'right to control the *first* public distribution' of his work, echo[ing] the common law's concern that the author or copyright owner retain control throughout th[e] critical stage" before a good goes to market. *Harper & Row Publishers, Inc.* v. *Nation Enters.*, 471 U.S. 539, 555 (1985) (emphasis added) (citation omitted). Once a copyright owner has been rewarded for the sale of a particular copy, however, "the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation." 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.12[A] (2008) ("NIMMER"). The first-sale doctrine embodies and effectuates the desired balance between those policy objectives. Indeed, "[t]he whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King*, 523 U.S. at 152.

This "common law policy against restraints on trade and alienation is not limited by the place a chattel is manufactured." *Pearson Educ., Inc.* v. *Liu*, 656 F. Supp. 2d 407, 413 (S.D.N.Y. 2009), permission to appeal denied, No. 10-894-mv (2d Cir. Nov. 18,

2011), petition for cert. pending, No. 10-708. "[A] prohibition against selling books manufactured in China is just as much a restraint on trade and alienation as a prohibition against selling books manufactured in Chicago." *Ibid.* See also John A. Rothchild, *Exhausting Extraterritoriality*, 51 SANTA CLARA L. REV. 1187, 1238-39 (2011) (explaining why "interpreting the intellectual property laws so that exhaustion results from the sale of an article abroad does not amount to an extraterritorial application of these laws").

"The early Copyright Acts reflect this principle." *Liu*, 656 F. Supp. 2d at 413. Indeed, the first-sale doctrine apparently takes its name from the legislative history of the 1909 Copyright Act, which was enacted in the wake of *Bobbs-Merrill*. In codifying what had until then been only common law, legislators emphasized that "it would be most unwise to permit the copyright proprietor to exercise *any* control whatever over the article which is the subject of copyright after said proprietor has made the first sale." H.R. REP. NO. 2222, 60th Cong., 2d Sess. 19 (1909) ("1909 House Report") (emphasis added).

The 1909 Act broadly provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." Pub. L. No. 60-349, § 41, 35 Stat. 1075, 1084 (1909). The statute on its face in no way limited the first-sale doctrine to goods made in the United States; nor would such a limit be consistent with Congress's view that it would be "unwise" to perpetuate the "proprietor['s]" control beyond the occurrence of the first sale. See *Quality King*, 523 U.S. at 152 ("There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to

limit its broad scope."). Indeed, the codification was "not intended to change in any way existing law" regarding the broad scope of the first-sale doctrine. 1909 House Report 19.

That copyright holders would retain significantly greater control over works made abroad than those made at home is particularly dubious given that early U.S. copyright law did not protect the works of foreigners or even the works of U.S. authors if their books were printed abroad. See *infra* Point II.C (discussing language and history of manufacturing provision); WILLIAM F. PATRY, PATRY ON COPYRIGHT §§ 23:2, 23:72 (2012) ("PATRY"). See also *Golan* v. *Holder*, 132 S. Ct. 873, 879 (2012) (explaining that, "[u]ntil 1891, foreign works were categorically excluded from Copyright Act protection," and that, "[t]hroughout most of the 20th century, the only eligible foreign authors were those whose countries granted reciprocal rights to U.S. authors and whose works were printed in the United States"). Indeed, copyright law was written expressly "to favor domestic publishing interests that escaped paying royalties to foreign authors," a regime that "made the United States 'the Barbary coast of literature' and its people 'the buccaneers of books.'" *Id.* at 879 n.2 (quoting S. REP. NO. 622, 50th Cong., 1st Sess. 2 (1888)). In light of that history, respondent's position that copies made abroad would have enjoyed significantly *greater* copyright protection than those made at home is inconceivable.

II. THE HISTORY OF THE COPYRIGHT ACT OF 1976 CONFIRMS THAT CONGRESS DID NOT NARROW THE FIRST-SALE DOCTRINE TO EXCLUDE ALL COPIES LAWFULLY MADE ABROAD

Although the Copyright Act of 1909 was amended in relatively minor ways during the first half of the twentieth century, by the early 1950s "it became apparent that an intensive reexamination . . . was long overdue." PATRY § 1:72. That reexamination began in 1955 with 34 studies of the copyright laws, which were synthesized into a 1961 report by the Copyright Office,[4] which in turn was used as the basis for study and discussions by a panel of 29 copyright experts appointed by the Librarian of Congress.[5] Those discussions by the panel of experts resulted in a "Preliminary Draft,"[6] further debate,[7] a "Revised Bill,"[8] and yet more debate,[9] before two

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[4] *Copyright Law Revision Pt. 1: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* (Comm. Print 1961) ("CLR-1").

[5] *Copyright Law Revision Pt. 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* (Comm. Print 1963) ("CLR-2").

[6] *Copyright Law Revision Pt. 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments* (Comm. Print 1964) ("CLR-3").

[7] *Copyright Law Revision Pt. 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* (Comm. Print 1964) ("CLR-4").

[8] *Copyright Law Revision Pt. 5: 1964 Revision Bill with Discussions and Comments* (Comm. Print 1965) ("CLR-5").

[9] *Copyright Law Revision Pt. 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* (Comm. Print 1965) ("CLR-6").

identical revision bills were presented to Congress on May 13, 1965.[10] Ten years and considerably more debate later, the Copyright Act became law in 1976. Pub. L. No. 94-553, 90 Stat. 2541 (1976). See *Cmty. for Creative Non-Violence* v. *Reid*, 490 U.S. 730, 743 (1989) ("The Act, which almost completely revised existing copyright law, was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress.").

The comprehensiveness of the revision process provides important context for the changes made by the 1976 Act. See *Reid*, 490 U.S. at 747 ("the legislative history of the Act is significant"). As explained below, certain matters, like the scope of the first-sale doctrine and the meaning of the phrase "lawfully made under this title," were clear and engendered little debate. Others, like the purpose and scope of the importation restrictions, were contentious and failed to result in consensus. Tellingly, however, there is *no support* in the voluminous 20-year record for the view that copyright owners were granted a statutory power to enforce private, contractual agreements to divide international markets, but *only* for copies made abroad.

A. The History Of Section 109

In its 1961 report, the Copyright Office stated, unambiguously, that its review of the copyright laws began from the proposition that it "is well settled that * * * the right to vend pertains *only* to the initial sale of a copy; the purchaser of the copy is then free to resell or otherwise dispose of it." CLR-1 at 21 (emphasis added). "This right," the Copyright Office

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[10] See S. 1006, H.R. 4347, 89th Cong., 1st Sess. (1965).

explained, "is the historic basis of copyright and pertains to all categories of copyrighted works." *Id.* at 22.

That "historic basis" was reflected in Section 5(b) of the Preliminary Draft, which provided, in pertinent part, that a copyright owner's exclusive right to distribute "shall end with respect to a particular copy or sound recording as soon as its first sale or other transfer of ownership has taken place." CLR-3 at 4. Like the 1909 codification, the proposal made no mention of place of manufacture. As Abe Goldman, General Counsel of the Copyright Office, explained, the provision simply "intended to make clear what * * * is true under the present law"—namely, "that the right [to distribute] * * * is exhausted with the first vending or first sale of a physical object, so that the purchaser of the physical object is free to dispose of it further." *Id.* at 110.

The current articulation of the first-sale doctrine—including the phrase "lawfully made under this title"—was introduced in the Revised Bill. The fundamental purpose of the doctrine was to remain unchanged. As explained upon its introduction:

> Section [109(a)] restates an existing principle * * * firmly established by the court decisions: that, when the copyright owner has sold or otherwise transferred ownership of a copy of the work, the person who has acquired ownership of that copy is entitled to dispose of it. * * * For example, once the owner of copyright in a book has sold a copy he cannot control the resale price or impose any other conditions on its future disposition.

CLR-6 at 28-29.

The 1976 Act did alter the scope of the first-sale doctrine, in two respects. Neither has anything to do with the place of manufacture.

1. "The *owner* of a particular copy"

Whereas the first-sale doctrine codified in the 1909 Copyright Act reached "any copy of a copyrighted work the *possession* of which has been lawfully obtained," Pub. L. No. 60-349, § 41, 35 Stat. 1075, 1084 (1909) (emphasis added), the Revised Bill limited the doctrine's reach to "owners" of lawfully made copies. The change was made in response to the concerns voiced by industry representatives about the possibility that the doctrine might otherwise shield from liability either (i) a "lessee" who had "breach[ed] * * * the rental agreement with the copyright owner," or (ii) "bootleggers who have acquired possession of thousands of copyrighted motion picture positive prints in 16mm. form, which are either lost, stolen, or illegally duped prints, and who are renting them for exhibition all over the United States." CLR-3 at 131 (statement of Mr. Sargoy).

The new prerequisite of ownership was reinforced by the addition of what is now Section 109(d), which provides, in pertinent part, that "the privilege" created by Section 109(a) does not "extend to any person who has acquired possession of the copy * * * by rental, lease, loan, or otherwise, without acquiring ownership of it." This "important qualification," the drafting history makes clear, was added to ensure that, "[f]or example, where a person has rented a print of a motion picture from the copyright owner, he would have no right to lend, rent, sell, or otherwise dispose of the print without first obtaining the copyright owner's permission." CLR-6 at 30.

These changes captured a judicial gloss applied to the original codification of the first-sale doctrine, which, taken literally, would have granted the redistribution right to anyone who had lawfully obtained even a stolen or piratical copy. As Judge Friendly had noted only a few years earlier:

> If lawful possession by another sufficed to deprive the copyright proprietor of his right to control the transfer of the copyrighted objects, any bailee of such objects could sell them without infringing the copyright, whatever his liability for conversion might be. * * * A literal reading of the clause would mean, moreover, that an innocent purchaser of a copy from a conceded pirate would be free to resell it without liability for infringement. Yet the cases to the contrary are legion.

Platt & Munk Co. v. *Republic Graphics, Inc.*, 315 F.2d 847, 851 (2d Cir. 1963). As discussed below, industry concern over the activities of nonowners would arise repeatedly, both in the context of the importation restrictions and after the Act was passed in 1976.

2. "lawfully made under this title"

Even as the first-sale doctrine narrowed in one respect, it expanded in another. As Barbara Ringer, subsequently Register of Copyrights, explained, the phrase "lawfully made under this title" was used by the drafters to clarify that the doctrine would encompass not only copies "made under the authority of the copyright owner," but also other types of copies, including those "made under a compulsory license." CLR-5 at 66-67. No one suggested that the new articulation of the first-sale doctrine should, however, be limited to goods "made" *in the United States* "under the authority of the copyright owner."

Rather, discussion by the drafters (including the panel of 29 copyright experts) focused on whether the doctrine would cover circumstances where, for example, pursuant to a compulsory license "someone could * * * make a tape recording of musical compositions without the authority of the copyright owner, and then engage in the business of renting the tapes while retaining ownership in them, thus making a continuous profit from the musical works without paying additional royalties." CLR-5 at 66-67. The panel of experts believed that the first-sale doctrine would likely cover such situations as a natural implication of the breadth of the phrase "lawfully made under this title." Although later amendments to the first-sale doctrine restricted this specific rental right, see *infra* n.14, the fact remains that the phrase "lawfully made under this title" never had anything to do with the place of manufacture.

Consistent with Barbara Ringer's comments, the House Report on the bill passed a decade later notes that "lawfully made under this title" includes some types of copies that were "not necessarily [made] with the copyright owner's authorization," among them, copies "legally made under the compulsory licensing provisions of section 115." H.R. REP. NO. 1476, 94th Cong., 2d Sess. 79 (1976) ("1976 House Report"). See also 1984 House Report 5 ("[T]he right of authorization accorded to copyright owners of recorded musical works under revised section 109(a) is subject to compulsory licensing under revised section 115.").

The 1976 House Report, like the expert panel discussions before it, makes no mention of the situs of manufacture. Rather, the changes made to the first-sale doctrine in the 1976 Act clarified (as had the courts) that, for the first-sale doctrine to apply,

the copies at issue must be "lawfully made" (as opposed to infringing or lawfully obtained from an infringer) and possessed by an "owner." If those conditions are met, "a copyright owner who unconditionally parts with a physical object embodying his work cannot restrain *any* later disposition of that physical object." H.R. REP. NO. 92-487, 92d Cong., 1st Sess. 6 (1971) (emphasis added). To be sure, "[t]his does not mean that conditions on future disposition of copies or phonorecords, imposed by a contract between their buyer and seller"—as in the case of an agreement to divide international markets—"would be unenforceable between the parties as a breach of contract." 1976 House Report 79. "[B]ut it does mean that they could not be enforced by an action for infringement of copyright." *Ibid.*

Viewed against this backdrop, the scope of the first-sale doctrine and the provenance of the phrase "lawfully made under this title" are not in doubt. The doctrine simply does not, as respondent contends, turn on whether copies are lawfully made "in the United States." If it did, that would have represented a historic upending of the first-sale doctrine *sub silentio*. That inference about congressional intent is highly implausible and well short of the clear expression of intent necessary to find such a change: "Under established canons of statutory construction, 'it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed.'" *Finley* v. *United States*, 490 U.S. 545, 554 (1989) (quoting *Anderson* v. *Pacific Coast S.S. Co.*, 225 U.S. 187, 199 (1912)).

B. The History Of Section 602

Under the Copyright Act of 1909, customs officials were authorized to prohibit the importation of "piratical copies of any work copyrighted in the United States." 17 U.S.C. § 30 (1909). The statute, however, failed to define the term "piratical." See CLR-1 at 125. Customs officials and the Copyright Office took the position that "piratical" meant only "copies made without the authorization of the copyright owner." *Ibid.* That definition was an irritant to many copyright owners who believed "that there ought to be an adequate definition of 'piratical copy' right in the copyright law, and that that definition should be broad enough to protect the U.S. copyright owner" not only from copies *made* without authority, but also from those simply *imported* without authority (*even if* lawfully made). CLR-2 at 213 (statement of Mr. Manges).

Respondent asserts that, having heard these complaints, the Copyright Office eventually endorsed "the ability of copyright holders to enter into agreements to divide international markets," Br. in Opp. 23, and that this new power accordingly must be read to limit the first-sale doctrine. History shows otherwise.

1. The 1961 Report

In its 1961 Report, the Copyright Office took the position that no meaningful changes to the importation restrictions were necessary, in part because, as Barbara Ringer later explained, making such changes would be "very, very complicated." CLR-2 at 194. The complexity of fashioning new importation restrictions was confirmed when the matter came up for panel discussion. Though industry representatives were vocal in seeking some form of relief from

unauthorized imports, the nature of the problems they were trying to solve varied.

To be sure, one panelist, who represented book publishers, believed the foremost problem was that, when "a U.S. book publisher enters into a contract with a British publisher to acquire exclusive U.S. rights for a particular book, he often finds that the English edition, for instance, of that particular book finds its way into this country." CLR-2 at 212 (statement of Mr. Manges). This Court in *Quality King*, 523 U.S. at 148 n.20, took note of Mr. Manges's concern. But the solution he proposed was a *never-enacted* provision for recording and enforcing contracts: "[B]y recording his contract, [a copyright owner] ought to be able to enforce, by way of an injunction, any illegal use by anyone who violates the territorial agreement here." CLR-2 at 212.

A second panelist, who represented record labels, noted the "[v]ery frequent[]" problem posed by works "publi[shed] in a country where there is no copyright protection of any sort," which are then put "into the free stream of commerce, so that [they] may be shipped to the United States." CLR-2 at 213 (statement of Mr. Diamond). This, the panelist explained, was but one of "many situations in which it is not necessarily a question of the inadequacy of a contract remedy." *Ibid.* Finally, a third panelist voiced concern over

> a similar situation with respect to motion picture prints, which are sent all over the world – legitimate prints made from the authentic negative. These prints get into illicit hands. They're stolen, and there's no contractual relationship. There's a situation up in Canada, for example, where Canadian Customs made a seizure for im-

> proper importation into Canada, and found the importer had a library of 150 U.S. feature pictures. And we found he was sending them into the United States for bookings here.

Ibid. (statement of Mr. Sargoy). This last issue was recurring because, "[u]ntil the later advent of the videocassette era, motion picture companies rarely expressly 'sold' or transferred title in [their] prints. Instead, the usual mode of motion picture exploitation was through the rental of prints." 2 NIMMER § 8.12[B][1].

2. The 1964 Preliminary Draft

The Librarian of Congress, Abraham Kaminstein, acknowledged that these were "very troubl[ing] problem[s]," and offered to think further about them. CLR-2 at 213. By the release of its Preliminary Draft, the Copyright Office had "shifted a little bit" in its views. CLR-4 at 203 (statement of Mr. Goldman). The Draft now included a section that "deals with the matter of the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." *Ibid.* To address these concerns, the Preliminary Draft provided (in a precursor to Section 602(a)) that:

> Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright * * *.

CLR-3 at 32. It was anything but clear, however, what exactly that proposal covered, and how it would interact with the first-sale doctrine.

The proposal undoubtedly addressed concerns about the importation of certain copies legally made abroad, including copies merely licensed or rented (such as motion pictures), copies in "illicit hands" (such as stolen books), copies made pursuant to foreign compulsory licenses, and copies made "in a country where there is no copyright protection of any sort." CLR-2 at 213 (statement of Mr. Diamond). See, *e.g.*, CLR-4 at 214 ("[I]n the case of motion pictures we have difficulty with stolen films that have gone abroad and are coming back in again. Again we have this problem of lawful making which would be obviated by [the] suggestion, which I think is a very good one.") (statement of Mr. Whicher).[11]

There was no consensus at all, however, as to whether the proposed provision would provide copyright protection to private, contractual agreements to divide international markets. The Copyright Office conceded that it "was not sure this ha[d] been thought through" fully, CLR-4 at 206 (statement of Mr. Goldman), and one panelist called for a wholesale "re-examination of the concept," *id.* at 205

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[11] As this Court would later explain in *Quality King*, the importation restrictions (now in Section 602(a)) can reach these scenarios in a manner consistent with the first-sale doctrine because Section 602(a) applies now only to works in the hands of an "owner" – leased, rented, or stolen copies are excluded – and only to copies "lawfully made under this title" (which does not include copies made with no legal authorization, or copies made solely pursuant to a foreign compulsory license). See *T.B. Harms Co.* v. *Jem Records, Inc.*, 655 F. Supp. 1575, 1577 (D.N.J. 1987).

(statement of Mr. Kaye). Foremost among the issues that clearly had *not* been contemplated was the new provision's interplay with the longstanding first-sale doctrine.

As Irwin Karp, of the Authors League of America, questioned: "If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?" CLR-4 at 211. Indeed, Mr. Karp added that it was hard to see how one could reconcile (on the one hand) "saying that [a copyright holder] can't sell a copy with a restriction attached that it may not be rented," but (on the other) permitting "the situation where he sells a copy, disposes of it completely, but says that you may not resell it in another country." *Ibid.* The second situation, like the first, cannot be permitted because "the very first sale here is a perfectly legitimate and legal sale, and that brings into play the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale." *Id.* at 212 (statement of Mr. Karp).

In a telling response, Abe Goldman, General Counsel of the Copyright Office, conceded that, in light of the first-sale doctrine, application of the proposed importation restrictions "could vary from one situation to another." CLR-4 at 211. Falling back on the uncontroversial proposition that the importation restrictions would reach lawfully made copies in the hands of *nonowners*, he "guess[ed], for example, that if a book publisher transports copies to a wholesaler, this is not yet the kind of transaction that exhausts

the right to control disposition." *Ibid.*[12] But neither he, nor anyone else at the Copyright Office, proposed that the importation restrictions would trump the first-sale doctrine for lawfully made copies actually sold abroad. Goldman ultimately concluded that "[t]here are too many issues as to what rights are involved and too many controversies as to whether this is or is not in violation." *Id.* at 212. Kaminstein concurred: "I suggest that pretty obviously further study is needed, and that we let this go over and see if we can come up with an acceptable solution." *Id.* at 215.

3. The Revised Bill and Final Act

That further study does not seem to have occurred. Nevertheless, the Revised Bill reflected a small, but important, change to the text of the importation provision that clarified, as had Karp's comments to the Copyright Office, that its application must be subject to the first-sale doctrine.

Whereas the Preliminary Draft provided that importation "without the authority of the owner of the exclusive right to distribute copies" would itself "constitute an infringement of copyright," CLR-3 at 32, the Revised Bill—virtually identical to what became Section 602(a)—clarified that importation "without the authority of the owner of copyright under this title" should be treated as "an infringement of the exclusive right to distribute copies or phonorecords under section [106], actionable under section [501]." CLR-5 at 25 (Section 44(a)).

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[12] Indeed, this was exactly the scenario raised by *Platt & Munk*, 315 F.2d at 851, the case that foreshadowed the first-sale doctrine's shift in applicability from lawful possessors to lawful owners. *See supra* p. 14.

As this Court held in *Quality King*, that change "is significant." 523 U.S. at 144. Rather than "categorically prohibit[ing] the unauthorized importation of copyrighted materials," Section 602 instead "provides that such importation is an infringement of the exclusive right to distribute copies 'under Section 106'"—which itself "expressly states that all of the exclusive rights granted by that section * * * are limited by," among other things, the first-sale doctrine. *Ibid.*

The Revised Bill thus addressed Karp's concerns by clarifying that, whatever the scope of the new importation provision, it would be subordinate to the first-sale doctrine—which (as shown above) did not turn on where a copy was made.

The reports that accompanied the new language support this view. The 1965 Supplementary Report, for example, noted that the importation restriction was intended to reach copies that "were lawfully made but [whose] distribution in the United States would violate the exclusive rights of the U.S. copyright owner," as "for example, where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." CLR-6 at 149-150. Similar language was used in the 1976 House Report that accompanied the final version of the Copyright Act, which noted that Section 602(a) covers the situation where "copies or phonorecords were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights." 1976 House Report 170.

Because the first-sale doctrine *extinguishes* a copyright holder's exclusive rights to distribute, the most natural reading of these reports is that Sec-

tion 602(a) is simply meant to reach those copies over which a copyright holder still maintains a distribution right after a particular copy is disposed of abroad—those being the many classes of copies that are not eligible for first-sale protection (*e.g.*, copies made under foreign compulsory licenses, rentals, stolen copies, etc.). Section 602(a) would not, however, reach copies legally made and sold abroad with the authority of the copyright owner because "[w]here there has been an authorized sale or transfer of ownership, this exclusive 'distribution' right *no longer exists*." CLR-3 at 128 (statement of Mr. Sargoy) (emphasis added).

In *Quality King*, this Court held that a copyright owner is *not* entitled to use copyright law to divide the markets for a work whose copies are made in the United States. 523 U.S. at 153. That means that if, as respondent contends, the Copyright Act does provide such a power, it does so *only* for copies made abroad. However one reads the voluminous drafting and legislative history of the provisions at issue here, one thing is clear: There is not a single mention—not one—of making the power to divide markets turn on where copies are manufactured. Nor, for that matter, is there a single mention—not one—of the obvious and absurd implications of such a rule. "[I]f Congress had such an intent, Congress would have made it explicit in the statute, or at least some of the Members would have identified or mentioned it at some point in the unusually extensive legislative history of the" Copyright Act. *Chisom* v. *Roemer*, 501 U.S. 380, 396 (1991).

C. The Manufacturing Provisions

For most of the twentieth century—and throughout the revision period leading up to enactment of

the 1976 Act—copyright law provided that "the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States or Canada*." 17 U.S.C. § 601 (emphasis added). That provision demonstrates that copies "under this title" can be manufactured outside the United States (*i.e.*, in Canada). It also confirms that "under this title" cannot refer to a location, because that would result in two different and inconsistent provisions regarding the location of a copy's manufacture within the same sentence. See *Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988) ("When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern.").

But the manufacturing provision is even more instructive as to the purpose of the importation restrictions. As the United States correctly observed in *Quality King*, "it is distinctly unlikely that Congress would have provided [copyright owners] an incentive to manufacture abroad at the same time it was shielding the domestic printing industry under Section 601." Brief for the United States as *Amicus Curiae* 30 & n.18 (No. 96-1470). In fact, the logic of respondent's position conflicts with *both* the rationale for the manufacturing provision *and* the rationale for its repeal.

In support of the provision, legislators noted that Congress did not want the Copyright Act to

> create a condition whereby work can be done under the most degraded working conditions in the world * * * and thus exclude American manufacturers from the market. * * * [That] could destroy small businesses, bring chaos to the industry, and catch manufacturers, whose labor costs and break-even points are extremely high, in a cost-price squeeze at a time when expenditures for new equipment have reduced profits to a minimum.

1976 House Report 165-66. Ultimately, Congress chose to let the provision expire because legislators concluded that it "violate[d] the basic principle that an author's rights should not be dependent on the circumstances of manufacture," and specifically *where* an author happens to make a copy; "there is no justification on principle for a manufacturing requirement in the copyright statute." *Ibid.* Cf. *Golan*, 132 S. Ct. at 882 (describing other, contemporaneous changes to the Copyright Act whose purpose was to "place[] foreign works on an equal footing with their U.S. counterparts").

Respondent's position manages to be at odds with both concerns: It makes rights turn on the place of manufacturing, but in a way that affirmatively hurts American business interests.

III. CONGRESSIONAL ACTION SINCE 1976 CONFIRMS THE CONTINUING BREADTH OF THE FIRST-SALE DOCTRINE

That Congress did not intend the importation restrictions to abrogate the first-sale doctrine is confirmed by later amendments to the statute. Cf. *Bowen* v. *Yuckert*, 482 U.S. 137 (1987) (subsequent statu-

tory amendments shed light on original scope of legislation).

A. The Rental Amendments Of 1984

As explained earlier, one the great challenges confronting Congress during the copyright revision process was the lending or rental (as opposed to resale) of copies that were legally made and sold by a copyright owner. See, *e.g.*, CLR-3 at 134 (statement of Mr. Karp) ("[S]omebody is profiting from [lending] the author's work to that audience. The author is losing considerably by it, and he should have a right, as he has all these other rights, to share in that income."). This was a problem that spanned borders: the movie industry, for example, was just as concerned about video-rental shops that purchased movies lawfully made and sold in Canada as it was about those made and sold in the United States. See *supra* pp. 18-19.

"Despite nearly a century of the first sale doctrine remaining largely undisturbed, Congress made a drastic change in 1984." Ryan Vacca, *Expanding Preferential Treatment Under the Record Rental Amendment Beyond the Music Industry*, 11 LEWIS & CLARK L. REV. 605, 613 (2007). Specifically, it took up debate on two bills, the purpose of which was to narrow the first-sale doctrine to preclude the lending or rental of both sound recordings and audiovisual works (*e.g.*, movies), even by lawful owners of particular copies. See S. 32, H.R. 1027 (Record Rental Amendment Act) and S. 33, H.R. 1029 (Video Rental Amendment Act), 98th Cong., 2d Sess. (1984). As the Copyright Office later explained, these bills were "the earliest statutory breach in the 'first sale' doctrine." U.S. Copyright Office, *The Computer Soft-*

ware Rental Amendments Act of 1990 (1994), *at* http://www.copyright.gov/reports/software_ren.html.

Congress held extensive hearings on both proposals and heard testimony on the specific threats faced by the movie and music industries. See generally *Audio and Video First Sale Doctrine: Hearings on H.R. 1027, H.R. 1029 and S. 32 Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the House Comm. on the Judiciary*, 98th Cong., 1st Sess. 729 (1984, 1985) ("AV Hearings"). After doing so, however, Congress chose only to limit the rental of sound recordings. See Pub. L. No. 98-450, 98 Stat. 1727 (1984) (amending the first-sale doctrine to include what is now § 109(b)(1)(A)).[13] Copies of audiovisual works, like all other works, remained subject to lending or rental once they had been sold by the copyright owner.[14]

Congress's efforts, and the evident care it took in deciding how to amend the first-sale doctrine in 1984, are inconsistent with the position, taken by respondent, that Congress had already—eight years earlier—*entirely* exempted *all* kinds of works from the first-sale doctrine if the copies of those works had

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[13] As Nimmer notes, "[i]t was obvious [to everyone at the hearings] that virtually everyone obtaining phonorecords by rental did so for the sole purpose of making audio tape reproductions of the rented material." NIMMER § 8.12[B][7]. The same was not then considered true of movies. See AV Hearings 238-239 (testimony that people do not usually watch movies repeatedly and therefore would be significantly less likely to make illegal copies of rental tapes).

[14] Congress also provided for copyright owners to share in revenue from the rental of works made under a compulsory license, 17 U.S.C. § 115(c)(4), addressing concerns that emerged early in the revision process, when the phrase "lawfully made under this title" was introduced. See *supra* p. 15.

been made abroad. Indeed, that seems particularly unlikely given the sustained congressional examination of overseas rentals.[15]

B. *Red Baron* v. *Taito* And The Computer Software Rental Amendments Act Of 1990

Congress amended the first-sale doctrine again in 1990, this time to preclude the lending or renting of computer software. See Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, § 803, 104 Stat. 5089. Again, Congress emphasized that, because the first-sale doctrine is "[o]ne of the most important limitations on copyright owners' exclusive rights," exclusions from the doctrine must be "narrowly drafted." 1990 House Report 7, 4. And again Congress made no mention of a wholesale exclusion for copies lawfully made abroad. Were there any doubt about the question, however, Congress reaffirmed that the phrase "lawfully made under this title" does *not* refer to place of manufacture when, as part of the Act, it enacted 17 U.S.C. § 109(e) specifically to reverse the Fourth Circuit's holding in *Red Baron-Franklin Park, Inc.* v. *Taito Corp.*, 883 F.2d 275 (4th Cir. 1989).

Although bearing U.S. copyrights, the particular video games at issue in *Red Baron* "were originally manufactured, marketed and sold in Japan" by the U.S. copyright holder. *Red Baron-Franklin Park, Inc.* v. *Taito Corp.*, No. 88-0156-A, 1988 WL 167344,

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[15] See, *e.g.*, 1984 House Report 2 n.6 ("[T]he committee also received testimony that in Japan, commercial record rental establishments represent 20 percent of all record retailers, seriously hurting record sales."); AV Hearings 33 (testimony that 97% of renters in Japan made illegal copies of sound recordings).

at *1 (E.D. Va. Aug. 29, 1988), rev'd, 883 F.2d 275 (4th Cir. 1989). As with the copies at issue here, those in *Red Baron* were sold to third parties overseas (in Japan) who imported them into the United States and then resold them "at a price lower than the price at which the boards [were intended to be] available in the United States." *Ibid.* The copies contained a notice that the video "game[s] [were] for use in Japan only," and the copyright owner brought suit against the downstream purchaser for copyright infringement. 883 F.2d at 277.

The district court held that, because the "exclusive right [to distribute] is specifically limited by the first sale provisions of § 109(a), it necessarily follows that once transfer of ownership has cancelled the distribution right to a copy, the right does not survive so as to be infringed by importation." 1988 WL 167344, at *3. That is no less true of copies made abroad than those made in the United States, the court explained, because "it [is] difficult to accept that Congress would have given foreign corporations greater protection under the copyright laws than it has provided to domestic copyright holders." *Ibid.* Although the Fourth Circuit reversed, it did so on the ground that playing the video games at issue in public was an infringement of a copyright holder's rights under 17 U.S.C. §§ 106(4)-(5) to control the public performance and display of its works.

To reverse the Fourth Circuit's holding, Congress added a new subsection to the codification of the first-sale doctrine. That subsection provides, in pertinent part, that "the owner of a particular copy of such a game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment." 17 U.S.C. § 109(e) (em-

phasis added). In adding that provision, Congress was well aware that the video games at issue were made overseas. Indeed, the accompanying House Report noted explicitly that the lower court had held that "the first sale provisions of section 109(a) of the Copyright Act permitted a U.S. arcade game operator to purchase, in Japan, a circuit board containing the game and to then import the circuit board for insertion into a coin-operated arcade game in the United States." 1990 House Report 8. Congress nevertheless again used the phrase "lawfully made under this title" to *expand* the first-sale doctrine to cover the display and performance of those very video games, made and sold abroad by a U.S. copyright holder. It is inconceivable that Congress intended that phrase to mean "made in the United States" because then Section 109(e) would have been ineffective with respect to the very copy of the video game, made in Japan, that gave rise to the amendment in the first place. Thus, if there were any doubt about whether Section 109 applied to works made abroad, it was laid to rest in 1990.

* * *

Although the text of the Copyright Act supports petitioner's interpretation, this Court has not hesitated to resolve textual ambiguities in the Copyright Act by looking to "the lengthy history of negotiation and compromise which ultimately produced" it, particularly when that history shows that a particular meaning or intent "remained constant" throughout the revision process. *Reid*, 490 U.S. at 743. As we have shown (*supra* Part I), at common law, the applicability of the first-sale doctrine did not turn on the place of a copy's creation. The early copyright laws—including the Copyright Act of 1909, from which the first-sale doctrine apparently takes its

name—explicitly reflected this bedrock rule. Respondent concedes this, as it must. Br. in Opp. 23.

Although the Copyright Act of 1976 "almost completely revised existing copyright law," certain principles remained undisturbed. *Reid*, 490 U.S. at 743. The first-sale doctrine, which the Copyright Office characterized as the "historic basis" of copyright, was one such principle. CLR-1 at 22. The new "Section 109(a) restates and confirms" the first-sale doctrine established by prior case law. 1976 House Report 79. As this Court acknowledged in *Quality King*, "[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit [the] broad scope" of the first-sale doctrine. 523 U.S. at 152.

That is not to the say the scope of § 109(a) was identical to its predecessors. Rather, it differed in two respects. *First*, Congress clarified that the doctrine reached only the "owners"—as opposed to the bailees, lessees, or renters—of a particular lawfully made copy, a gloss already given by the courts. *Second*, Congress expanded the doctrine to reach *not only* those copies "made under the authority of the copyright owner," *but also* other types of copies "lawfully made under this title," among them those "made under a compulsory license" pursuant to Section 115. CLR-5 at 66-67. Consistent with its common law origins, however, the doctrine had nothing to do with the *place* a copy was made; indeed, that notion is entirely absent from 20 years of legislative history.

Congressional concern with copies in the hands of nonowners, as well as copies made *neither* with the authority of the copyright owner *nor* pursuant to other provisions of Title 17, manifested themselves

in other aspect of the new copyright law. Among them was Section 602, which granted copyright owners the right to prevent the importation of such copies, which by the terms of Section 109 were not subject to the first-sale doctrine. Contrary to respondent's unsubstantiated assertions, however, Congress did not grant copyright protection to private contractual agreements to divide international markets for copies that *were* made by or with the authorization of a U.S. copyright owner and that *were* subject to the first-sale doctrine. Such a power was discussed, but the voluminous record lacks any clear statement that Congress "intended such a change" to the "settled" domain of the first-sale doctrine, much less that it intended to do so *only* for copies that happened to be made abroad. *Green* v. *Bock Laundry Mach. Co.*, 490 U.S. 504, 521 (1989).

Nothing has changed in the nearly four decades since. Though Congress has revisited the first-sale doctrine on a number of occasions, each time to make only "narrowly drafted" changes, 1990 House Report at 4, neither text nor legislative history has *ever* mentioned that the doctrine turns on the place of a copy's manufacture. To the contrary, Congress has repeatedly emphasized the opposite—that the first-sale doctrine is "[o]ne of the most important limitations on copyright owners' exclusive rights" precisely because it "prohibits [those] owners from controlling the terms and conditions of further distribution of lawfully made copies of a work once the initial authorized distribution of those copies has taken place." *Id.* at 7. In *Quality King*, this Court acknowledged that this is "[t]he whole point of the first sale doctrine." 523 U.S. at 152. It should do so again here.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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AMICUS CURIAE BRIEF

RECORD
AND
BRIEFS

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court of Appeals
For The Second Circuit

BRIEF OF eBAY INC., GOOGLE, INC., CENTER FOR DEMOCRACY & TECHNOLOGY, CHEGG, COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION, INTERNET COMMERCE COALITION, NETCOALITION, NETCHOICE, AND TECHAMERICA AS AMICI CURIAE IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

The first sale defense embodied in § 109(a) of the Copyright Act allows the owner of a copy "lawfully made under this title" to resell the copy without the copyright owner's permission. It is undisputed that this defense means that a copyright owner has no right to control downstream sales of a copy that was made in the United States. And this Court held in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135, 138, 154 (1998), that the same rule applies to copies that are imported into the United States. The court of appeals limited *Quality King* — and the first sale defense — to a situation where the imported goods were made in the United States.

The question presented is whether the copyright owner is entitled to control downstream sales just because it opts to manufacture the copies abroad.

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INTEREST OF THE AMICI[1]

eBay, Inc. operates the world's largest online marketplace. Founded in 1995, eBay created an online market to bring together buyers and sellers to trade in local, national, and global markets. eBay serves individual buyers and sellers, as well as businesses ranging in size from part-time proprietorships to household brand names. eBay's online platform permits secondary marketplace trade in a wide range of goods. Accordingly, eBay has an interest in ensuring the alienability of authentic goods in the secondary market.

Google, Inc. is a leading search engine and provides a wide range of services that empower millions of people around the world to find, create and communicate information. Google's products include copyright-protected software that is loaded with Google's authorization onto physical goods such as mobile telephone handsets and personal computers. Those physical goods may be manufactured outside of the territory of the United States, and lawful owners of those goods may seek to import them into the territory of the United States. Google, therefore, has an interest in establishing a clear rule for the alienability of those goods within the United States that

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[1] Pursuant to Supreme Court Rule 37.6, counsel for the amici curiae represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the amici, their members, or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented to the filing of this brief, and letters reflecting their consent have been filed with the Clerk.

benefits Google's consumers. Because its business is global, Google also has an interest in having clear rules regarding the applicability of United States and foreign copyright law.

The Center for Democracy & Technology (CDT) is a nonprofit public interest group that seeks to promote free expression, privacy, individual liberty, and technological innovation on the open, decentralized Internet. CDT advocates balanced copyright policies that provide appropriate protections to creators without curtailing the unique ability of the Internet to empower users, speakers, and innovators. Among the empowering new opportunities the Internet fosters is the greatly enhanced ability of individual users to participate in e-commerce and secondary markets.

Chegg, the leading network for students, is transforming the way millions of students learn by connecting them to the people and tools needed to succeed in college through homework help, course selection, eTextbook and textbook options as well as school and scholarship information. Since its national launch in 2007, Chegg has rented millions of new and used textbooks to college students, helping them save both time and money. Chegg has an interest in ensuring that its student customers can freely alienate their lawfully purchased textbooks.

The Computer & Communications Industry Association (CCIA) is a non-profit trade association that for 40 years has been dedicated to "open markets, open systems and open networks." CCIA members participate in many sectors of the comput-

er, information technology and telecommunications industries and range in size from small entrepreneurial firms to the largest in the industry. CCIA members employ more than 600,000 workers and generate annual revenues in excess of $200 billion.

The Internet Commerce Coalition (ICC) is a coalition of leading U.S. Internet Service Providers (ISPs), e-commerce companies, and technology trade associations. The ICC's mission is to achieve a legal environment that allows service providers, ecommerce companies, their customers, and other users to do business on the global Internet under reasonable rules governing liability and use of technology.

NetCoalition serves as the public policy voice for some of the world's most innovative Internet companies on the key legislative and administrative proposals affecting the online world. NetCoalition provides legal and policy solutions to critical legal and technological issues facing Internet companies, the courts, and policymakers. It helps insure the integrity, usefulness, and continued expansion of this dynamic new medium. Its members include Amazon.com, Bloomberg LP, eBay, Google, IAC, Yahoo! and Wikipedia.

NetChoice is a coalition of businesses, individuals, and trade associations who seek to promote convenience, choice, and commerce on the Internet. Its members range from some of the most prominent online businesses in the world to individual users of e-commerce services, and include eBay and other companies whose online platforms bring together buyers and sellers from around the globe. NetChoice

has an interest in expanding the range of goods that can be sold safely and legally on secondary markets, particularly where the Internet enables these markets to reach across national borders.

TechAmerica represents approximately 1,000 member companies of all sizes from the public and commercial sectors of the economy and is the technology industry's largest advocacy organization. Its members include suppliers of broadband networks and equipment, consumer electronics companies, software and application providers, Internet and e-commerce companies, and Internet service providers, among others, many of which are involved in ensuring a robust e-commerce marketplace.

SUMMARY OF THE ARGUMENT

The first sale doctrine has long been recognized as a defense to copyright infringement, striking a balance between the property rights of consumers and the promotion of progress in the sciences and useful arts by ensuring that copyright owners are compensated for the initial sale of the copyrighted good. As this Court held over a century ago, "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

Section 109(a) of the Copyright Act codifies the first sale doctrine, providing that "the owner of a particular copy . . . lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy . . . ." 17 U.S.C. § 109(a). In *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135, 138, 154 (1998), this Court confirmed that the first sale doctrine is not limited by place of first sale and held that the first sale doctrine endorsed in § 109(a) may be applied to imported copies.

The Second Circuit nevertheless held below that the first sale doctrine applies "only to works manufactured domestically." Pet. App. at 26a. In so holding, the Second Circuit imposed a place of manufacturing requirement on the first sale doctrine that is directly at odds with the text, structure, history, and purposes of the Copyright Act. In stark tension with

the policy against restraints on alienation, the Second Circuit's rule — which is even more extreme than the Ninth Circuit's interpretation of the Act this Court considered in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) — affords copyright owners of foreign manufactured goods the ability to control the multiple downstream sales of goods for which they have already been paid. If allowed to stand, that rule would have significant adverse consequences for trade, consumers, secondary markets, e-commerce, small businesses, and jobs in the United States. Under the precedent of *Quality King* and pursuant to the plain construction of the Copyright Act, including 17 U.S.C. § 109(a), this Court should reverse.

ARGUMENT

I. THE SECOND CIRCUIT'S EXTREME CONCLUSION THAT A FOREIGN-MADE PRODUCT MAY NEVER BE RESOLD IN THE UNITED STATES WITHOUT THE COPYRIGHT OWNER'S PERMISSION SHOULD BE REVERSED

In its decision below, the Second Circuit has dangerously expanded beyond the Ninth Circuit's holding in *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983 (9th Cir. 2008). Whereas the Ninth Circuit held that a first sale in the United States would terminate a copyright owner's rights, the Second Circuit held that the first sale doctrine applies "only to works manufactured domestically." Pet. App. at 26a. The Second Circuit's holding thus implies that a foreign-manufactured copy will never be subject to the first sale doctrine — even if that copy is imported into the United States and sold here with the copyright owner's permission. Respondent

has not denied that the Second Circuit's opinion would preclude foreign-manufactured copies from ever being subject to the first sale doctrine, instead arguing that "there was no need for the Second Circuit to resolve the issue whether the first-sale doctrine would apply to foreign-made copies after an authorized domestic sale." Br. in Opp. at 17-18. Whether the Second Circuit "need[ed]" to resolve the issue or not, the Second Circuit's opinion could shield foreign-manufactured copies from ever being subject to the first sale doctrine. *Id.* at 17. The Ninth Circuit's place of manufacturing rule portended significant negative policy consequences.[2] *Omega*, 541 F.3d at 983. The Second Circuit's even more extreme rule, which strips away downstream resale rights entirely, distorts the Act beyond any plausible understanding of congressional intent and must be reversed.

II. A PLACE OF MANUFACTURING REQUIREMENT IS INCONSISTENT WITH THE TERMS, STRUCTURE, HISTORY, AND PURPOSES OF THE COPYRIGHT ACT

While the Second Circuit stretched its rule to an even more extreme end, the source of its error was the same as the source of the Ninth Circuit's error in *Omega*. It incorrectly concluded that the first sale doctrine embodied in section 109(a) of the Copyright Act includes a place of manufacturing requirement that limits the first sale doctrine's application to

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[2] At oral argument in *Costco*, Petitioner argued for certain limitations on the first sale doctrine that are not required by the text of the Copyright Act. *See, e.g.*, Transcript of Oral Argument at 5:18-8:6, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (Nov. 8, 2010) (No. 08-1423).

goods manufactured in the United States. Pet. App. at 26a. A proper application of the tools of statutory construction compels the opposite conclusion.

Section 109(a) provides in pertinent part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. § 109(a).

It is clear that the first sale doctrine codified in section 109 supersedes the exclusive rights of the copyright owner granted under section 106. The Second Circuit reasoned that Congress's reference to copies "lawfully made under this title" can only be read to mean those copies "that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." Pet. App. at 27a-28a. But that reasoning is fundamentally flawed and would inject both significant textual anomalies and absurd consequences into the Act that Congress could not possibly have intended.

A. "Lawfully Made Under This Title" Means Made According To Or In Conformance With The Copyright Act

Most significantly, the Second Circuit's interpretation rests on a demonstrably flawed premise: that "under this title" means "made in the United States." Pet. App. at 21a, 26a. Congress was clear, however, that it intended the relevant title of the Copyright Act to apply to goods made outside the United States.

Both by common usage and context, the most natural meaning of "made under this title" is "made according to, or in conformance with, the Copyright Act." *See* WEBSTER'S THIRD NEW INT'L DICTIONARY 2487 (2002) (defining "under" as "in accordance with"). As the United States explained in its amicus brief in the *Quality King* case, "[t]he correct and more natural reading of the phrase 'lawfully made under this title' refers simply to any copy made with the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17." Brief for the United States as *Amicus Curiae* Supporting Respondent at 30 n.18, *Quality King Distrib., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (No. 96-1470).

In other words, copies are subject to the first sale doctrine if they were made consistent with the terms of the Copyright Act, which includes copies made by or with the consent of the United States copyright holder or otherwise authorized by the Act.

Respondent argues that "the legality of a copy produced in a foreign country is governed by that country's own copyright laws; a foreign copy is either lawfully or unlawfully made *under the law of the particular foreign country*." Br. in Opp. at 19 (emphasis in original). Respondent further argues that "copies may be made either 'under the United States Copyright Act,' or 'under the law of some other country,' but not 'under' both." *Id.* at 20-21 (citations omitted); *see also* Brief for the United States as *Amicus Curiae* Supporting Respondent at 15, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423) ("The inference is strongly supported by the *Quality King* Court's evident assumption that a particular copy may be made *either* 'under' Title 17 *or* 'under' the law of another country,

but not 'under' both.") (emphases in original). Such arguments are neither the logical nor necessary result of a straightforward reading of the Copyright Act's text or this Court's precedent.

Section 104, which defines in part the scope of the protections afforded copyright holders under the Act, demonstrates that "under this title" could not mean "made in the United States." Section 104(b) expressly provides that certain published works "are subject to protection under this title" if: (1) "on the date of first publication, one or more of the authors is a national . . . of a treaty party," or (2) "the work is first published . . . in a foreign nation that, on the date of first publication is a treaty party . . . ." 17 U.S.C. § 104(b). It further provides that "a work that is published in the United States or a treaty party within 30 days after publication in a foreign nation that is not a treaty party shall be considered to be first published in the United States or such treaty party, as the case may be." *Id.* Thus, while the phrase "lawfully made under this title" is not expressly defined in the Copyright Act, it clearly is not limited to "made in the United States," since Congress expressly provided for the title to apply to works made abroad in a foreign nation that is a treaty partner.[3]

The legislative history of section 104 confirms this reading. Section 104 provides that certain

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[3] Section 104 addresses both published and unpublished works, copies of which are subject to the Section 109 distribution limitations. Copyright owners' attempts to expand the use of copyright to encompass labels on consumer products and such should also be prevented because the copyright laws afford only limited protection in that context. *See Smithkline Beecham Consumer Healthcare, L.P. v. Watson Pharm., Inc.*, 211 F.3d 21, 29 n.5 (2d Cir. 2000).

"works of foreign origin can be protected under the U.S. copyright law . . . ." H.R. REP. NO. 94-1476, at 58 (1976). Section 104 "imposes no qualifications of nationality and domicile" on unpublished works and protects published works made by foreign authors who are nationals or domiciliaries of nations with which the United States has copyright relations under a treaty. *Id.* Section 104 does not require foreign authors to publish their works in the United States. On the contrary, section 104(b) protects works "first published" abroad. 17 U.S.C. § 104(b). Thus, the scope of the Copyright Act expressly extends to works created abroad, which also may be entitled to copyright protection in their country of origin.

Furthermore, Congress has used the exact phrase "lawfully made under this title" in two additional provisions of Title 17. Only a straightforward reading of the phrase, unrestricted by place of manufacturing, permits a consistent, coherent construction of the title.

The Audio Home Recording Act ("AHRA") provides that royalty payments "shall . . be distributed" to certain "interested copyright part[ies]," including, *inter alia*, "the owner of the exclusive rights under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a digital musical recording or analog musical recording *lawfully made under this title* that has been *distributed*." 17 U.S.C. §§ 1001(7), 1006(a) (emphasis added). The term "distribute" is limited specifically to distribution "in the United States." 17 U.S.C. § 1001(6). Thus, Congress used the concepts of "in the United States" and "lawfully made under this title" distinctly — and did so in the same sentence.

Similarly, section 110 provides that the "performance or display" of a copy for educational use is not an infringement of copyright unless the copy "was not lawfully made under this title . . . ." 17 U.S.C. § 110(1). The only logical interpretation of this provision is that Congress intended to dissuade teachers from displaying infringing works or works otherwise not made in accordance with the Copyright Act. *See* H.R. REP. NO. 94-1476, at 82 (stating that the exception to the exemption for copies "not lawfully made under this title" "deals with the special problem of performances from *unlawfully-made copies* . . .") (emphasis added). Congress could not have intended to limit social studies, music, and art teachers' curricula only to works created in the United States. Surely, teachers are not responsible for determining where works were created in order to prepare their courses. Congress could not have intended to expose our nation's teachers to liability for copyright infringement for introducing their students to genuine copyrighted works for artistic and educational purposes simply because those works were manufactured abroad.

A plain text analysis of the Copyright Act demonstrates that "lawfully made under this title" cannot mean "made in the United States."[4]

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[4] For these reasons, *Quality King*'s dicta provides no meaningful support for Respondent's approach. This Court did not directly address the question of whether a copy could be lawfully made under both United States law and the law of another country; rather, this Court merely "presum[ed]" that "only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a)." *Quality King*, 523 U.S. at 148. The Court's presumption seems to have rested on a narrow reading of one example from the legislative history, when, as discussed herein, the text,

B. The Copyright Act Is Structured Without Regard To Place Of Manufacturing

Reading section 109(a) unlimited by place of manufacturing best accords with other provisions of the Copyright Act. As this Court has long recognized, "[s]tatutory construction . . . is a holistic endeavor." *United Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371 (1988) (internal citations omitted).

Section 106 of the Copyright Act counsels strongly against importing a place of manufacturing requirement into the first sale doctrine of section 109(a). Section 106(3) provides owners of copyrights "under this title" with exclusive rights to distribute copies "[s]ubject to sections 107 through 122 . . . ." Section 106 provides in pertinent part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted works in copies or phonorecords; . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . . .

17 U.S.C. §§ 106(1) & (3).

Under section 109(a), notwithstanding a copyright owner's exclusive right to distribute copies, "the owner of a particular copy or phonorecord lawfully made until this title, or any person authorized

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structure, legislative history, and purpose of the Copyright Act do not support the Second Circuit's view of the first sale doctrine.

by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Importantly, section 109(d) provides that "privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it." Thus, as Justice Breyer recognized during argument in the *Costco v. Omega* case, the text of section 109(a) is focused on transfers, such that "109 doesn't apply until there's a sale." Transcript of Oral Argument at 8:14-15, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (Nov. 8, 2010) (No. 08-1423). The critical threshold is whether a sale has occurred, as opposed to merely a lease or license or other mechanism which does not transfer actual ownership. The legislative history supports this interpretation. H.R. REP. NO. 94-1476, at 80 ("privileges . . . do not apply to someone who merely possesses a copy or phonorecord without having acquired ownership of it").

Thus, any sale of an item by which ownership is transferred, regardless of where that sale took place, eliminates the exclusive copyright protection and affords the buyer the right to freely transfer those goods without the permission of the copyright owner. *Quality King*, 523 U.S. at 152 (neither section 109(a) nor earlier codifications of the first sale doctrine were intended by Congress to "limit [the first sale doctrine's] broad scope"). Where no first sale has occurred, the exclusive right to limit distribution remains intact.

To read this interplay between sections 109 and 106 differently would allow overseas manufacturers

to have it both ways. If their foreign-made goods are not "made under this title" for section 109 purposes, then they likewise ought not to be able to claim that those goods are subject to the exclusive copyright protections "under this title" for section 106 purposes. If foreign-manufactured goods are not considered to have been made "under this title," then there is no basis for U.S. courts to enforce copyright protection as to those goods.

Section 602's import restrictions also are limited by section 109. Section 602(a)(1) provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106 . . . .

17 U.S.C. § 602(a)(1). This restriction is expressly limited to exclusive rights afforded "under section 106," which are expressly limited by section 109.

Reading section 109(a) as applying to copies imported into and sold in the United States without regard to their place of origin does not require the application of United States laws to conduct occurring outside the territory of the United States. The Copyright Act and the first sale doctrine it codifies are applicable to the instant dispute because the copies were purchased abroad and then resold within the United States. Indeed, Respondent invoked United States copyright law in instituting this suit. It is therefore no more "extraterritorial" than this Court's holding in *Quality King* that the first sale doctrine of section 109(a) applies generally to goods imported under section 602. For this reason, the presumption

against extraterritoriality has no bearing on the question presented. *See Quality King*, 523 U.S. at 145 n.14 (stating that "the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act . . . ."); Brief for the United States as *Amicus Curiae* Supporting Respondent at 22, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423) (arguing that it is "correct" that "applying Section 109(a) to copies imported into the United States would not involve an extraterritorial application of domestic law").

C. At The Time Congress Adopted Section 109(a), It Removed A Longstanding Place Of Manufacturing Provision From The Copyright Act

Had Congress intended to limit application of the first sale doctrine to copies made "within the United States," Congress would have said so. Indeed, at the same time it adopted section 109(a), Congress began phasing out a longstanding place of manufacturing requirement from the Copyright Act.

Section 601(a) of the Act, the so-called "manufacturing clause," provided: "Prior to July 1, 1986,[5] . . . the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited *unless the portions consisting of such material have been manufactured in the United*

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[5] *See* Pub. L. No. 97-215, 96 Stat. 178 (1982) (substituting "1986" for "1982").

States or Canada." 17 U.S.C. § 601(a) (emphasis added). Thus, not only was Congress generally capable of specifying the relevance of an activity's occurrence "in the United States," Congress expressly specified the relevance of manufacturing in the United States in the Copyright Act. *See Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988) ("When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern.").

In stark contrast, Congress did not include such a place of manufacturing requirement in section 109(a). When Congress includes language in one section of an Act and excludes that language from another, "Congress' silence" in the latter section "speaks volumes." *United States v. Shabani*, 513 U.S. 10, 14 (1994).

Moreover, Congress' handling of section 601(a)'s express manufacturing requirement demonstrates the absurdity of the Second Circuit's construction of section 109(a). That express manufacturing requirement *protected* U.S. publishers from foreign competition. It first "came into the copyright law as a compromise in 1891 . . . ." H.R. REP. NO. 94-1476, at 164. As codified in the 1909 Act, the "manufacturing clause" required "[t]hat in the case of the book the copies so deposited shall be accompanied by an affidavit . . . duly made by the person claiming copyright . . . setting forth that the copies deposited have been printed from type set within the limits of the United States or from plates made within the limits of the United States from type set therein . . . ." Act of Mar. 4, 1909, § 16, 35 Stat. 1080, 1079 (1909). This place of manufacturing requirement was in-

tended to protect "American typographers and bookbinders against foreign competition." 2 NIMMER ON COPYRIGHT § 7.22[D] (2012).

However, "the manufacturing clause exemplifie[d] short-sighted and parochial tendencies that [proved] destructive of the best interests of both copyright creators and users." *Id.* Accordingly, in the 1976 Copyright Act, Congress chose to phase out the place of manufacturing requirement. *See* 17 U.S.C. § 601 (stating that the manufacturing clause would remain in effect until July 1, 1986).

The legislative history of the Copyright Act demonstrates that Congress carefully considered place of manufacturing requirements and found such requirements wanting. Congress concluded that "[t]he manufacturing clause *violates the basic principle that an author's rights should not be dependent on the circumstances of manufacture.*" H.R. REP. NO. 94-1476, at 165 (emphasis added). Congress was concerned that authors were held "hostage" by the manufacturing requirement, which "unfairly discriminate[d] between American authors and other authors." *Id.* Additionally, Congress emphasized the need to "eliminate the tangle of procedural requirements . . . burdening . . . the United States Customs Service." *Id.*; *see also* Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 877 (1987) ("The Copyright Office, the Justice Department, the State Department, and the Commerce Department all opposed the manufacturing clause.").

Congress concluded that "there is no justification on principle for a manufacturing requirement in the copyright statute, and although there may have been some economic justification for it at one time, that

justification no longer exists." H.R. REP. NO. 94-1476, at 166. That is not to say that Congress considered the economic concerns of the U.S. printing industry irrelevant. Quite the opposite. Because Congress "recognize[d] that immediate repeal of the manufacturing requirement might have damaging effects in some segment of the U.S. printing industry," Congress chose to phase out the manufacturing requirement through the use of a sunset provision. *Id.*

The abrogation of the manufacturing clause makes clear that Congress in 1976 intended to remove place of manufacture as a relevant factor in the determination of whether the distribution of goods embodying copyrighted works within the United States violates the Copyright Act. It defies reason that Congress would at the same time, in the same Act, insert by mere implication and without comment a "reverse manufacturing clause" that greatly re-tilts the playing field, this time to the benefit of *foreign* publishers and manufacturers at the expense of their domestic counterparts, by creating a strong incentive to manufacture copies abroad. Rather, by phasing out the pro-domestic publishing manufacturing clause, Congress meant to eliminate the discriminatory impact that previously flowed from copyright's focus on place of manufacture. Respondent's argument flies in the face of this congressional goal.

"Few principles of statutory construction are more compelling than the proposition that Congress does not intend *sub silentio* to enact statutory language that it has earlier discarded." *INS v. Cardoza-Fonseca*, 480 U.S. 421, 442-43 (1987) (citation omitted). It is therefore incongruous, to say the least, for the Second Circuit to impose a place of

manufacturing limitation on section 109, when, at the time Congress drafted and enacted section 109, it simultaneously excised a longstanding place of manufacturing requirement from our copyright law.

III. EXEMPTING GOODS MANUFACTURED ABROAD FROM THE FIRST SALE DOCTRINE WOULD BE DETRIMENTAL TO THE UNITED STATES ECONOMY

Reading section 109(a) to impose a place of manufacturing requirement on the first sale doctrine would negatively impact commerce in the United States. A place of manufacturing requirement will create incentives for off-shore manufacturing, stifle secondary markets, stifle e-commerce, harm small businesses and consumers, and further depress the job market in the United States. Copyright protection is enshrined in our Constitution "[t]o promote the progress of science and useful arts," not to permit manufacturers to price discriminate and manipulate markets to the detriment of consumers. U.S. CONST. art. 1, § 8. These public policy concerns weigh strongly against the Second Circuit's reading of section 109(a).

A. Imposing A Place Of Manufacturing Requirement On The First Sale Doctrine Infringes Consumers' Rights to Redistribute Goods

Producers of consumer goods have "waged a full-scale battle in legislative, executive, and administrative fora" for regulations that would grant them power to control the downstream importation of secondary market goods into the United States. *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 295-96 (1988) (Brennan, J., concurring in part and dissenting in part). "Having lost in other fields of law, manufac-

turers are now realizing that copyright may furnish a supplemental vehicle for protection." 2 NIMMER ON COPYRIGHT § 8.11[E][4] (2012). As a result, copyright owners who have already been compensated for these goods are now attempting to use copyright law to hamper the ability of consumers and resellers to re-distribute goods and comparison shop from different vendors.

The Second Circuit's opinion will encourage producers to use copyright to control downstream sales of goods in the United States. In so doing, the Second Circuit permits companies to use copyright law like a "weapon against gray market goods." Donna K. Hintz, *Battling Gray Market Goods with Copyright Law*, 57 ALB. L. REV. 1187, 1191 (1994). Reducing consumer rights in this dramatic way is inconsistent with the purposes of copyright law and should not be endorsed by this Court.

B. The Second Circuit's Rule Will Stifle Secondary Markets

Exempting foreign consumer goods from the first sale doctrine could unsustainably burden secondary markets. "The essential trade in the Copyright Act is monopoly and policing: the grant of exclusivity comes with the duty to protect it. The Act does not grant the holder the windfall of both monopoly and reimbursement for its maintenance." *Sony Discos Inc. v. E.J.C. Family P'ship*, No. H-02-3729, 2010 WL 1270342, at *5 (S.D. Tex. 2010). It is impossible for secondary market participants to identify each alleged copyrighted work and make a determination regarding its legal status. Moreover, secondary market participants lack means to determine where the goods were manufactured.

Imposition of such a substantial and unmanageable burden is likely to stifle commerce in the secondary market. This burden would translate into higher costs for consumers, increased unemployment, and risk for small businesses. Such a result in the current difficult economic environment would be particularly troubling. *See, e.g.*, U.S. Dept. of Labor, Bureau of Labor Statistics, News Release (June 1, 2012) (stating that the unemployment rate was "8.2 percent"), *available at* http://www.bls.gov/news.release/pdf/empsit.pdf.

The Second Circuit's rule also could stifle commerce in the international secondary markets. Such a result would significantly impact the economy. The volume of commerce in the international secondary markets is substantial. Between January and April 2012, the United States has already imported $2,869,000,000 worth of used or second-hand goods. U.S. Census Bureau, U.S. Bureau of Econ. Analysis, News (June 8, 2012), *available at* http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf. This market is of significant value to our economy and should be allowed to thrive.

C. The Second Circuit's Rule Will Stifle e-Commerce

E-commerce companies are exemplars of American innovation and ingenuity and make significant contributions to the United States' economy and job market. The Second Circuit's rule substantially threatens the increasingly important e-commerce sector of the economy, particularly secondary market e-commerce. International e-commerce is growing rapidly. In the first quarter of 2012, retail e-commerce sales in the United States amounted to

approximately $53.2 billion. U.S. Census Bureau, News, Quarterly Retail E-Commerce Sales 1st Quarter 2012 (May 17, 2012), *available at* http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf. These first quarter sales represent a 15.4 percent increase from the first quarter of 2011, while total retail sales increased only 6.5 percent in the same period. *Id.* E-commerce also "benefit[s] consumers by helping them enjoy lower prices and more choices." Yannis Bakos, *The Emerging Landscape for Retail E-commerce*, 15 J. ECON. PERSPECTIVES 69, 78-79 (2001). No misinterpretation of copyright law should be allowed to hinder the growth of this market.

D. The Second Circuit's Rule Will Harm Small Businesses

Likewise, small businesses would be particularly burdened by increased transaction costs. As the Ninth Circuit has recognized, without the first sale doctrine, "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996). Imposing a place of manufacturing requirement on section 109(a) may well impose unsustainable costs on small businesses, which may translate into the loss of additional jobs. Small businesses that have weathered the economic downturn should not now be subjected to such risk.

E. The Second Circuit's Rule Will Further Depress The Job Market In The United States

If section 109(a) is interpreted to exempt foreign consumer goods from the first sale doctrine, goods stamped with copyrighted material and manufactured overseas will be afforded greater protection under the Copyright Act than goods manufactured domestically. This Court should not endorse the Second Circuit's graft of a place of manufacturing requirement onto section 109(a) because such a requirement creates incentives for off-shore manufacturing, striking yet another blow to the American worker.

When repealing the manufacturing requirement, Congress was sensitive to creating incentives for overseas manufacturing and creating a trade imbalance. Congress concluded that, "although there may have been some economic justification [for the manufacturing requirement] at one time, that justification no longer exists." H.R. REP. NO. 94-1476, at 166. Far from concluding that the economic consequences of its rule were irrelevant, Congress simply concluded that the economic justification no longer existed in the context of book publishing. Given Congress's sensitivity to trade imbalances and economic concerns, Congress could not have intended an interpretation of section 109(a) that would exacerbate trade imbalances and motivate overseas manufacturing.

"The loss of well-paying manufacturing jobs has harmed the U.S. economy. Declines in manufacturing employment reduce over-all consumer demand in the United States and limit the economy's potential for expansion." Thomas A. Piraino, Jr., *A Proposed Antitrust Approach to Buyers' Competitive Conduct*,

56 HASTINGS L.J. 1121, 1123 n.10 (2005) (citations omitted). Manufacturing employment in the United States is under stress. U.S. Dept. of Labor, Bureau of Labor Statistics, Econ. News Release, *Employment Situation Summary*, (June 1, 2012), *available at* http://www.bls.gov/news.release/empsit.nr0.htm. The manufacturing sector should not be hindered by a strained interpretation of section 109(a) that motivates additional off-shore manufacturing.

The imposition of a place of manufacturing requirement on section 109(a) would also likely lead to job losses in the secondary market. As increased transaction costs may curtail trade, importers and resellers may face a diminishing market and concomitant job loss.

The United States already faces an overall trade deficit in goods and services. In April 2012, the United States trade deficit for goods and services was $50.1 billion. U.S. Census Bureau, U.S. Bureau of Econ. Analysis News, *U.S. Int'l Trade in Goods and Services April 2012* (June 8, 2012), *available at* http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm. The United States' trade deficit for goods was $64.8 billion. *Id.* If this Court declines to review the Second Circuit's interpretation of section 109(a), which will afford greater protections to foreign goods, an even greater percentage of such goods will likely be produced overseas.

F. The United States Agrees That A Place Of Manufacturing Requirement Will Have "Adverse Policy Consequences"

The United States agrees that "the court of appeals' reasoning could result in adverse policy consequences, particularly if carried to its logical extreme . . . ." Brief for the United States as *Amicus*

Curiae on Petition for Certiorari at 5, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423). The United States recognizes that "[t]he potential implications of excluding foreign-made copies of a copyrighted work from Section 109(a)'s coverage are indeed troubling." *Id.* at 18. In fact, the United States identified "higher unemployment," "encourag[ing] companies to move manufacturing overseas," and the hesitation of downstream retailers "to sell a variety of products for fear that the sale could be deemed infringing" as "legitimate concerns." *Id.* at 17-18. Indeed, the United States has recognized "[t]hat differential treatment of domestic- and foreign-manufactured goods has no evidence policy justification, and it could at least in theory provide an artificial incentive for outsourcing." Brief for the United States as *Amicus Curiae* Supporting Respondent at 28, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423).

Yet, in its amicus brief in *Costco*, the United States argued that this Court should not concern itself with these "legitimate concerns" because "[s]ome of the impacts . . . are an unavoidable consequence of Congress's decision in 1976 to expand Section 602's ban on unauthorized importation beyond piratical copies." *Id.* at 6. This argument missed the mark. That Congress allowed for the segmentation of domestic and foreign markets to some degree is hardly evidence that Congress intended the exacerbated market segmentation that would follow from exempting foreign manufactured items from the first sale doctrine.

Further, in its amicus brief in *Costco*, the United States attempted to downplay its recognition of such "legitimate" policy concerns by arguing that, although the petitioner "contend[ed] that the court of

appeals' decision would allow copyright owners to restrict the downstream distribution of foreign-made goods even after the copyright owner has authorized the importation or first domestic sale of the relevant copies," "[t]he Copyright Act can reasonably be read to prevent that result . . . ." *Id.* The Second Circuit has not read the Copyright Act to prevent that result here. Rather, the Second Circuit's reading precisely permits such a result — a result that, as the United States has recognized, portends significant negative policy results.

"The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Quality King*, 523 U.S. at 152. The Second Circuit's interpretation of the first sale doctrine, which discriminates between domestic and foreign copies, should be reversed. Regardless of the place of manufacturing, once a copyright owner has sold his property, he has exhausted his exclusive statutory right to control its distribution. The Second Circuit's holding is to the contrary, does not conform with the Copyright Act, and will precipitate a host of adverse policy results.

CONCLUSION

For the foregoing reasons, the judgment of the United States Court of Appeals for the Second Circuit should be reversed.

Respectfully submitted.

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July 2012

AMICUS CURIAE BRIEF

RECORD
AND
BRIEFS

No. 11-697

In The
Supreme Court of the United States

SUPAP KIRTSAENG,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF OF *AMICI CURIAE* ENTERTAINMENT MERCHANTS ASSOCIATION AND NATIONAL ASSOCIATION OF RECORDING MERCHANDISERS IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE*

The first sale doctrine, codified in §§ 109 and 202 of the Copyright Act, is fundamental to *Amici Curiae*'s members' freedom to engage in the broadest possible dissemination of creative works to the public at the most competitive prices. They have experience with myriad business models based partially or entirely on this entitlement of copy-owners to which copyrights are subject.

Amici are, collectively, retailers of lawfully made copies and phonorecords of copyrighted works.[1] They represent a proud lineage of retailers who, for more than a century, have been catalysts for the development of the first sale doctrine in the courts and in Congress. The distribution of noninfringing copies and phonorecords that they own has repeatedly come under fire from copyright holders intent on controlling retail prices and secondary markets. Relying on longstanding legal precedence, and the national policy reflected in the House Committee on Patents' declaration that "it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright

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[1] Petitioner Kirtsaeng is not an *Amici* member. The parties were provided with timely notice of the intent to file this brief and consented thereto. Counsel for a party did not author this brief in whole or in part. No person or entity other than *Amici Curiae*, their members, or their counsel made a monetary contribution to the preparation and submission of this brief.

after said proprietor has made the first sale,"[2] retailers have historically defended their natural rights to sell, rent, gift, and lend *their* legitimate copies that the publishers have willingly released into the stream of commerce.

Amici are, specifically, Entertainment Merchants Association, Inc., the major trade association of retailers and distributors in the home video and video game industries, and National Association of Recording Merchandisers, Inc. ("NARM"), the major trade association of retailers and distributors of sound recordings. They respectfully submit this brief as *amici curiae* in accordance with Supreme Court Rule 37.

Amici's members distribute, through sale, resale and rental, lawfully made copies of "audiovisual works" and "computer programs" (home videos and video games). They also sell and resell lawfully made "phonorecords," consisting of music CDs and DVDs, vinyl record singles and albums, and flash media.

Amici's members include global mass merchants and single-store specialty shops that sell or rent through physical stores, "online" Internet stores, and stores distributing copies and phonorecords using both business models. Members sell pre-recorded media as well as licenses to reproduce ("download") works lawfully onto the consumer's own media, which

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[2] H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 28-29 (1909).

then also become "copies" and "phonorecords" as defined in the Copyright Act.

Amici's members also have an interest in preserving the first sale doctrine rights of their customers. For example, customers naturally are less likely to purchase a copy or phonorecord of a work by an unfamiliar author, or as a gift, if resale or gifting will require permission from the copyright holder.

Finally, *Amici* have a history of engagement in legislative and public policy debates concerning the proper scope of §§ 109(a) and 202[3] in the United States and in international treaties providing global recognition of the legitimacy of the first sale doctrine.

Amici submit this brief, in support of Petitioner, to offer additional arguments for reversal from the perspective of the retail sector's long history of unfettered right of alienation over noninfringing copies and phonorecords that they own, and to highlight the very damaging consequences of the Second Circuit's decision for *Amici*'s members and their customers.

SUMMARY OF ARGUMENT

In 1853, this Court said: "The copy-right is an exclusive right to the multiplication of the copies, for the benefit of the author or his assigns, disconnected

[3] All section references are to the Copyright Act of 1976, 17 U.S.C., unless otherwise noted.

from the plate,[4] or any other physical existence." *Stevens v. Cady*, 55 U.S. 528, 530 (1853). Ever since then, copyright holders have tried to re-connect the two. Until now, the courts and Congress have consistently maintained that, just as ownership of a copy cannot constrain the copyright, ownership of the copyright cannot constrain the right of the owner of the non-infringing copy.

The first sale doctrine is the natural outgrowth of the disconnection of copy from copyright. It is no accident that the first codification of the first sale doctrine by Congress included both principles – the separation of the copy from the copyright, and the rights of owners of copies as an express limitation on the copyright – in a single section. Copyright Act of 1909, § 41 (and now in §§ 109 and 202 of the current Act). The Second Circuit's limitation on § 109 to copies made domestically cannot be accomplished without eviscerating § 202, obliterating this principle governing copyright law since 1853.

Except for specific and narrow statutory exceptions, first sale doctrine jurisprudence leaves no room for copyright control over distribution of non-infringing copies that the copyright owner does not own. The Second Circuit's extension of such control over all copies made abroad has no legal basis or jurisprudential foundation; it defies Congress's explicit

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[4] Referring to the copperplate master copy from which reproductions were made.

intent; it restricts the reproduction right to domestic reproductions; it sows confusion as to the scope of statutory authority to reproduce and distribute copies and phonorecords (such as in § 115); and it leaves in disarray the market for all secondary transfers of ownership or possession, from commercial sales to gratis conveyances, lending, and intestate succession. The panel majority's approach erases the residual or resale value that owners of copies made abroad always thought they had, and places every American at risk of infringing by engaging in distributions as simple as sharing a copy of *Le Monde* following a flight from Paris, selling used copies and phonorecords at a yard sale, trading in an old game for a new one, giving used copies to charity, or sharing a textbook with a classmate.

Each time Congress addressed the first sale doctrine, it endorsed the judicial refinements to it. When it did so, again, in 1976, it was merely codifying the judicial gloss that the language of § 41 of the Copyright Act of 1909 had developed over the years. Congress neither accidentally nor purposely opened a back door for copyright holders to nullify the doctrine with respect to all copies they made by offshore manufacturing.

Respondents now seek to re-connect their copyrights to the tangible objects they already sold, so long as they choose to make them abroad. They ask this Court to disregard its own longstanding principles of copyright law and Congress's endorsement and expansion of them in §§ 109 and 202. This Court

should, instead, reaffirm these principles that are so consistent with the correct reading of the current Act, and should reject this latest creative effort to take from the owners of copies what was never the copyright holder's to begin with.

ARGUMENT

The question for retailers is, if their ultimate supplier – the U.S. copyright holder – releases into the stream of commerce two lines of copies (such as a movie DVD or video game disc) or phonorecords (such as a CD) of a single work, having manufactured one line at a plant in Canada and the other in the U.S., may the supplier perpetually prohibit the initial retail sale, resale, rental and lending of the foreign-made copies, while having no such power to prohibit or control secondary transactions in the copies made in the U.S. manufacturing facility? *Amici* disagree with the Second Circuit's affirmative response to that question.

Innovative retail competition benefitting the general public has been the driving force in the development of the first sale doctrine.[5] The Second Circuit's novel interpretation of § 109(a) and complete

[5] The Register of Copyrights observed, "competition policy is viewed as one of the underlying bases for the first sale doctrine." DMCA SECTION 104 REPORT, at 21, U.S. Copyright Office (August 2001).

disregard of § 202 eviscerates the first sale doctrine with respect to copies made abroad by the U.S. copyright owner, contravenes the text of the Copyright Act, creates an unworkable and absurd legal environment, and erases the distinction in § 202 between rights in copies and rights in copyrights, allowing the latter to subsume the former.[6] *Amici* urge this Court to reverse the Second Circuit's holding, and to restore the Copyright Act's distinction between ownership of the tangible article and ownership of the intangible copyright. Failure to reverse it would hobble the value of copyright law in promoting the progress of science and art, and would create a baseless brake on the "engine of free expression"[7] by suppressing

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[6] 17 U.S.C. § 202 provides, in relevant part: "Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied." It was part of the original codification of the first sale doctrine in § 41 of the Copyright Act of 1909. That section, in turn, followed this Court's own doctrine. *See, e.g.*, *Cady*, 55 U.S. at 531 ("the property in the copyright is regarded as a different and distinct right, wholly detached from the manuscript, or any other physical existence"); *Stevens v. Gladding*, 58 U.S. 447, 452-53 (1854) (owner of copperplate for printing maps was not entitled to print maps without the copyright holder's permission, but could otherwise do as he pleased with the copperplate copy itself, for he owned what he had purchased (the copy) and not what he had not purchased (the copyright)).

[7] *Harper & Row, Publishers v. Nation Enters.*, 471 U.S. 539, 558 (1985) ("[T]he Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create *and disseminate* ideas") (emphasis added).

redistribution of non-infringing copies based solely on the place where they are made.

I. THE EXCLUSIVE RIGHT TO DISTRIBUTE COPIES OF THE WORK SERVES A LIMITED PURPOSE

The primary purpose of the distribution right is to protect the reproduction right – to reach someone who distributes infringing copies and phonorecords but is not liable for the infringing reproduction. It is qualitatively different from the other copyrights, serving as "a necessary supplement to the reproduction right in order fully to protect the copyright owner." 2 M. NIMMER AND D. NIMMER, NIMMER ON COPYRIGHT, at § 8.12[A]. Just as for preventing the distribution of *infringing* copies, it is useful to prevent the distribution of *noninfringing* copies when the distribution undermines the value of the copyright holder's reproduction right, such as where a thief, warehouseman, or bailee illegally diverts them before the copyright holder has obtained the "full reward" for the reproduced copy.[5] That "rationale becomes inapplicable in the situation where the copyright owner first consents to the sale or other distribution of copies or phonorecords of his work." NIMMER, at § 8.12[A].

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[5] The "ultimate question" is whether the copyright holder "has received his reward" for the distribution of the copy. *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)).

> In such circumstances, continued control over the distribution of copies is not so much a supplement to the intangible copyright, but is rather a device for controlling the disposition of the tangible personal property that embodies the copyrighted work. Therefore, at this point, the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints of alienation.

Id. (citations omitted). Accordingly, where the copyright holder has authorized the transfer of title in the copy or phonorecord, or authorized the owner of the tangible medium to reproduce the work onto it, the distribution right serves no purpose.

The copies at issue in this case are unquestionably noninfringing. Respondents' only contention is (to paraphrase their argument) that "the copies were not lawfully made under the Copyright Act because we, the U.S. copyright holders who have the exclusive right, under U.S. law, to make them, chose to make them in a place where U.S. law does not apply." But the rationale for limiting the distribution right once the copyright holder has sold the copies for its full reward applies just as strongly no matter where the copyright holder chose to make them. Where the reproduction right has been exercised along with "full reward" for relinquishing ownership of the resulting copy, the distribution right serves no further purpose. It is exhausted.

II. THE DECISION BELOW BREAKS A LONG TRADITION AGAINST THE LEVERAGING OF COPYRIGHTS TO RESTRAIN TRADE IN NON-INFRINGING COPIES

It is often said that Section 41 of the Copyright Act of 1909 codified this Court's 1908 adoption of the first sale doctrine in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). In reality, this Court's first sale doctrine jurisprudence began more than a half-century earlier. In *Stevens v. Cady*, 55 U.S. 528 (1853), and again, *sub nom.*, in *Stevens v. Gladding*, 58 U.S. 447 (1854), this Court drove home the fundamental principle that copies and copyrights are completely separate, that conveyance of one conveys no rights in the other, and that ownership of one places no burden on the other.

The lower courts followed this teaching, developed into the "exhaustion" doctrine. For example, in *Henry Bill Pub. Co. v. Smythe*, 27 F. 914, 925 (C.C.D. Ohio 1886), the court explained that the owner of the copyright cannot transfer title to a copy and keep for itself the power to authorize the sale of that copy. The distribution right in the copies made by the copyright owner belongs to the copyright holder "only so long as and to the extent that he owns the particular copies involved." *Id.* It is, the court explained,

> a distinction . . . between the incident of that monopoly of sale belonging alone to the owner of the copyright, and the incident of that exclusive and inseparable right of alienation

> belonging always to the owner of a copy of the work lawfully printed.

Id. Having parted with ownership of the copy, "the ordinary incident of alienation" flows to the new owner, and the right of the new owner "supersedes the other, – swallows it up, so to speak." *Id.*

Like Respondents here, even Mark Twain tangled with retailers selling HUCKLEBERRY FINN at discount. He lost his attempt to leverage his distribution right to impose minimum resale pricing upon independent dealers. *Clemens v. Estes*, 22 F. 899 (C.C.D. Mass. 1885).

The Second Circuit further developed the exhaustion doctrine in the landmark case of *Harrison v. Maynard, Merrill & Co.*, 61 F. 689 (2d Cir. 1894). *Harrison* involved copies of a work of literature that were damaged by fire to such extent that the copyright holder deemed them of no commercial value, sold them for scrap, and contractually specified that they were intended for no other purpose. In apparent breach of the agreement, the copies were sold to a used book dealer, who proceeded to re-sell them. The court emphatically affirmed the retailer's right to do so:

> So long as the owner of a copyright retains the title to the copies of the book which he has the exclusive right to vend by virtue of the copyright, he can impose restrictions upon the manner in which and upon the persons to whom the copies can be sold. Having

> the exclusive right to vend, he has the right to appoint to whom the book shall be sold. . . . But the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes.

Id. at 690-91. The exhaustion doctrine derives from the distinct property rights in copies and copyrights, unaffected by where the copy is made. It is a limitation inherent in the distribution right itself, unattached to the copy.

By the time this Court reiterated the first sale doctrine in 1908, lower courts had uniformly rejected the use of copyrights to restrain the free alienation of copies that the author had already sold. The *Bobbs-Merrill*, decision broke no new ground, but simply ratified the evolution of the *Stevens v. Cady* teaching at the hands of the lower courts.

The following year, Congress not only adopted the *Stevens v. Cady* doctrine applicable to exhaustion of the distribution right following a sale (now § 202), but went substantially further, creating an affirmative right enjoyed by the possessor of the copy (now § 109) rather than mere exhaustion of the distribution right. Although it continues to be referred to as

the "first *sale* doctrine," no codification since 1909 has ever required that there be a "sale" at all.[9] As we shall explain, the statutory question presented by this new right evolved from the initial question, "Who *possesses* the copy?" to "Who *owns* the *noninfringing* copy?"

Each codification of the doctrine has had two components. First, the codifications declare, consistent with the decisions from *Stevens v. Cady* to *Bobbs-Merrill v. Straus*, that copies and copyrights are distinct, and the rights in one do not affect the rights in the other. *See* § 41 of the Copyright Act of 1909 (renumbered § 27 in 1947), and § 202 of the Copyright Act of 1976. This principle continues to support the exhaustion doctrine, independently of § 109.

Second, to this *separation* of rights, each codification added an express *limitation* upon the copyright by virtue of an express entitlement, superior to the copyright, conferred upon either the *possessor* of *any* copy (§ 41 of the 1909 Act) or the *owner* of a *lawfully made* copy (§ 109(a) of the 1976 Act). That is, Congress moved beyond mere exhaustion of the distribution right to add an *entitlement* upon the owner of the noninfringing copy. Section 106 makes the distribution right "subject to" this entitlement.[10]

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[9] *See, infra*, n.14.

[10] *See, e.g., Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984) ("[T]he definition of exclusive rights in § 106 . . . is prefaced by the words 'subject to sections

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The journey from a right attaching to the mere possessor of the copy to requiring ownership of the copy – and not just any copy, but a "lawfully made" copy – is the result of many years of judicial gloss on the 1909 language. The journey itself illuminates the rationale for the "lawfully made under this title" language, and lends no support to Respondents.

From 1909 until 1976, the Copyright Act literally granted the right of alienation to anyone in *lawful possession* of the copy, including both good faith purchasers of copies stolen before the copyright holder received consideration for them, and good faith purchasers of infringing copies. Courts were uniformly unwilling to read the 1909 and 1947 Acts that broadly.

In *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963), Judge Learned Hand summarized the history of the judicial gloss upon the original language. Judge Hand explained the rationale behind judicially requiring possession to be more than merely lawful, but also limited to copies that no longer belonged to the copyright holder, so that neither acquisition through a thief or through a person to whom the copyright holder had entrusted possession of the copy, such as a bailee, could allow

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107 through [122].' "); accord H.R. Rep. No. 94-1476, at 61 (1976) ("[E]verything in section 106 is made 'subject to sections 107 through [122]' and must be read in conjunction with those provisions.").

the possessor to enjoy the statutory right to redistribute at will.

Judge Hand also noted how the courts had limited the reach of the statute to *owners* of *non-infringing* copies. Despite the plain language to the contrary, not even lawful ownership of infringing copies would find refuge for redistribution under the 1909 and 1947 wording of the statute.

The 1976 Act's change from the original 1909 wording is unremarkable in that historical context. The preceding case law was so consistent and uncontroversial that it was no substantive change for Congress to adopt it in the 1976 Act, substituting "owner of a copy lawfully made under this title" for "any copy of a work copyrighted under this act the possession of which has been lawfully obtained." Given Congress's express desire to follow the judicial developments in the doctrine and to prevent "any control whatever" by the copyright holder, Congress's 1976 choice of the words in issue here simply removed the literal right of anyone in lawful possession of an infringing copy or lawful possession of an undistributed copy held in trust, to redistribute it, just as the courts had already done.[11]

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[11] Likewise, expansion of § 106(3) to include "importation" (§ 602) was necessary because mere possession of an infringing copy is not unlawful, and importation without transferring title or possession could not be prevented. But importation need not escape the § 109(a) limitation any more than gifts and bequests. The sole question is, "Who owns the noninfringing copy?" If not

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III. THE PANEL MAJORITY READS § 202 OUT OF THE ACT

In the proceedings below, and at the petition stage, this case has focused on the portion of the common law first sale doctrine codified in § 109(a). As shown above, the remainder of the codification of the first sale doctrine, now found in § 202, shares both statutory and common law roots with § 109, and must be read together with it. However, the panel majority did not even mention § 202, and failed to grasp the copy/copyright distinction.

Judicially recognized in 1853, and reiterated by this Court in 1908, in *Bobbs-Merrill*, the initial codification of the first sale doctrine, § 41 of the Copyright Act of 1909 provided, "*copyright is distinct from the property in the material object copyrighted,*" and "*nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.*"[12]

Both subsequent codifications followed the 1853 doctrine's separation of the copyright owner's rights from the copy owner's right.[13] As this dichotomy

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the copyright owner, then the distribution right is subject to the right of the copy's owner.

[12] (Emphasis added). The unchanged text was renumbered as § 27 of the Copyright Act of 1947.

[13] The present codification divides the provisions of § 41 of the Copyright Act of 1909 (and § 27 of the Copyright Act of 1947) into two sections: § 202 stresses the distinction between owning

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demonstrates, the first sale doctrine rests on broader principles than mere "sale"[14] or place of reproduction. The Second Circuit's ruling annuls this fundamental dichotomy upon which the first sale doctrine is based.

A. The Second Circuit's holding judicially nullifies the § 202 copy/copyright distinction with respect to foreign-made copies

In keeping with the original codification of the first sale doctrine in § 41 of the Copyright Act of 1909,[15] § 202 of the Copyright Act of 1976 provides, in part:

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a copyright in a copyrighted work and owning a copy of the copyrighted work, and § 109(a) entitles the copy owner to a superior right to distribute that particular copy if it was made consistent with the U.S. Copyright Act (*i.e.*, by authority of either the U.S. copyright owner or authority of the U.S. Copyright Act).

[14] Despite its name, the "first *sale* doctrine" has never depended upon whether the copy in question was ever sold. *See, e.g., UMG Recordings v. Augusto*, 628 F.3d 1175 (9th Cir. 2011) (first-sale doctrine applies to promotional copies *given away* by the copyright owner); *United States v. Cohen*, 946 F.2d 430, 434 (6th Cir. 1991) ("copyright law does not forbid an individual from renting or selling a copy of a copyrighted work which was lawfully obtained *or lawfully manufactured by that individual*") (emphasis added, citation omitted).

[15] The Committee on Patents explained: "Section 41 is not intended to change in any way existing law, but simply to recognize the distinction, long established, between the material object and the right to reproduce copies thereof." H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 28-29 (1909).

> Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.

The holding below reads this distinction out of the Copyright Act with respect to copies made abroad.[16] Owners of noninfringing copies made domestically would enjoy a right of ownership in the tangible medium that is wholly distinct from the copyright owner's intangible copyright. Owners of noninfringing copies made abroad, however, would no longer enjoy such a distinct right of ownership in the tangible medium. Their ownership would be subject to the author's continued control over the future disposition of the copy it had already sold.[17]

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[16] The panel majority seemed oblivious to the difference between an intangible "work" and a tangible "*copy of* a work," using the former in place of the latter no less than 25 times. The error even infects the conclusion: "the first sale doctrine does not apply to *works* [sic] manufactured outside of the United States," Petition Apendix, at 33a (emphasis added), rather than *copies of* works.

[17] The Third Circuit, in contrast, has embraced the distinction embodied in § 202:

> Section 109(a) is an extension of the principle that ownership of the material object is distinct from ownership of the copyright in this material. *See* 17 U.S.C. § 202 (1982). The first sale doctrine prevents the copyright owner from controlling the future transfer of a particular copy once its material ownership has been transferred.

Columbia Pictures Industries v. Redd Horne, 749 F.2d 154, 159-60 (3d Cir. 1984) (citations omitted).

Where the noninfringing copy or phonorecord is made abroad, the panel majority has converted common law *ownership* of chattel into a limited right of mere *possession*.

B. The Second Circuit's holding ignores the exhaustion principle

The common law formulation of the first sale doctrine articulated by this Court and codified by Congress is akin to the "exhaustion" principle that has come to be universally recognized in international law.[18] Apart from the ability to control distribution of infringing copies, the copyright owner simply has no distribution right at all. By relinquishing

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[18] "'Exhaustion' is the term that is often used in international agreements to refer to the termination of a copyright owner's distribution right with respect to a particular copy after that copy has been sold with the copyright owner's authorization – *i.e.*, the first sale doctrine. The distribution right is said to 'exhaust' after the first sale." DMCA SECTION 104 REPORT, at 92 n.301. *Cf. UsedSoft GmbH v. Oracle International Corp.*, Case C-128/11, [2012] E.C.R. I___ (delivered July 3, 2012), where the Court of Justice of the European Union recently applied the exhaustion principle to allow subsequent *reproduction* of the work (provided only one reproduction remained) to permit owners of copies reproduced onto a hard drive under license to pass the benefits of ownership to someone else. (The Court spoke of "intangible copies," which is an oxymoron under the definition of "copies" in § 101, but was effectively addressing a concept within the realm of our § 117, and consistent with the concept of "digital phonorecord delivery" in § 115(d), where although the tangible medium is not distributed, the consumer owns the copy or phonorecord at the conclusion of the transaction.)

ownership of the copy, the copyright owner exhausts its distribution right.[19]

> [T]he copyright owner would have the right to control the first public distribution of an authorized copy or phonorecord of his work, whether by sale, gift, loan, or some rental or lease arrangement. Likewise, any unauthorized public distribution of copies or phonorecords that were unlawfully made would be an infringement. *As section 109 makes clear, however, the copyright owner's rights under section 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it.*

H.R. Rep. No. 94-1476, at 62 (1976) (emphasis added). The Second Circuit contravenes Congress's express intent by holding that rights under § 106(3) do not end with respect to copies and phonorecords made abroad. It erroneously looked to whether U.S. law applied to the place where the work was reproduced into a copy. Congress, in contrast, looks to whether the reproduction was made by or with the consent of the owner of the exclusive right, under U.S. law, to reproduce the work into copies and, if so, whether it is now owned by someone other than the copyright owner. The panel majority failed to grasp that the

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[19] "Section 109(a) restates and confirms the principle that where a copyright owner has transferred ownership of a particular copy or phonorecord of his work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means." S. Rep. No. 93-983 (1974).

distribution right over the copies in question had ended.[20]

IV. THE MAJORITY BELOW CLOUDS THE SCOPE OF STATUTORY RIGHTS

If copies can only be "lawfully made under" the U.S. Copyright Act by exercising § 106(1) reproduction rights on U.S. soil, it logically would follow that the copyright holder's exclusive right "to do or to authorize" the reproduction of the work would be limited to domestic reproductions. Consequently, it could not infringe the § 106(1) reproduction right for a stranger within the U.S. to authorize reproductions abroad without the consent of the U.S. copyright holder. That cannot be what Congress intended.

A similar cloud is cast over the scope of the compulsory license in § 115(a)(1). Where Congress authorizes a "compulsory license to make *and distribute* phonorecords of the work" (emphasis added),

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[20] It follows that we believe Petitioner's suggestion that § 602 provides a "powerful copyright weapon (and not just a contract remedy) against distributors who distribute outside their assigned domains," Brief for Petitioner, at 13; *id.* at 41, paints with too broad a brush. If the copies were made by or with consent of the U.S. copyright holder, only the distributor who was not the "owner" of the authorized copies (such as a sales agent or bailee) could be liable for infringement in addition to breach of contract.

the Second Circuit adds the caveat, "provided that they are made in the United States."[21]

V. CONGRESS REJECTED THE MERITS OF THE TEXTBOOK PUBLISHERS' QUEST TO CONTROL SECONDARY SALES

Not one case dating back to the mid-1800s countenanced a more favorable outcome for the copyright owner who prints abroad. In fact, the opposite is true.[22] The amendments in the Copyright Act of 1976 caused no change whatsoever in the distribution practices prevalent among the copyright holders supplying *Amici*'s products, despite the historic inclination, by some, to control secondary distributions.[23] In

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[21] The holding clouds the reach of the statutory license in § 117, as well.

[22] For example, § 107 of the Copyright Act of 1909 noted the place of manufacture for the *opposite* purpose. It prohibited U.S. importation of "any copies thereof (although authorized by the author or proprietor) which have not been produced in accordance with the manufacturing provisions specified in section 16." (§ 16 required that reproduction of most English-language works be made in the United States.) The Committee Report stressed the "protection of the men engaged in the work of setting type, making plates, printing and binding." H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 18 (1909) (adopted by the Senate, S. Rep. No. 1108, 60th Cong., 2d Sess. (1909)).

[23] This inclination was manifest in 1983, with the introduction of legislation to exclude video rentals from the reach of § 109. *See, infra*, n.30. Years earlier, during the development of the Copyright Act of 1976. "The proposal that royalties be imposed on the large-scale commercial resale of used copies of textbooks and other works received no support" from Congress and ran counter to the first sale doctrine embodied in the

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fact, at that time, Congress rejected the extension of rights now urged by Respondents. Congress was asked to include a copyright to control secondary sales of textbooks in the 1976 Act, and refused. Reporting on those legislative hearings, the Register of Copyrights recounted, under the heading, "RESALE OF USED TEXTBOOKS," how Prof. Rondo Cameron lobbied for an obligation to pay royalties on the sale of used books, "especially textbooks," and opposed § 109(a) precisely because it "specifically excludes the right of resale in this situation." THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 1975 REVISION BILL, OCTOBER-DECEMBER 1975 (DRAFT): SECOND SUPPLEMENTARY REPORT, at ch. II, p. 49. Respondents' position is, in essence, that the Register of Copyrights got it wrong, and that Congress had, in fact, supported the textbook publishers' request and granted it after all, provided they make the copies offshore.[24]

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unopposed § 109(a). THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 1975 REVISION BILL, OCTOBER-DECEMBER 1975 (DRAFT): SECOND SUPPLEMENTARY REPORT, at ch. II, p. 55.

[24] Until the textbook publishers' initiative against dozens of sellers in the Southern District of New York, the lower courts comfortably applied § 109 to copies made abroad. *See, e.g., Okocha v. Amazon.com*, 153 Fed. Appx. 849 (3d Cir. 2005); *Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 U.S. Dist. LEXIS 15735, at *2-3 (E.D. Va. Aug. 29, 1988), *rev'd on other grounds*, 883 F.2d 275 (4th Cir. 1989) (tacitly approved by Congress when it legislatively overruled the Fourth Circuit using the very words "lawfully made under this title" to extend a public performance privilege with respect to performances from the foreign-made video game copy in question, Computer

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VI. THE DECISION BELOW IMPERILS MANY WIDELY-ACCEPTED MEANS OF DISTRIBUTION

A. Determining whether one has the right to redistribute one's own copy would be rendered a practical impossibility

When purchasing new and used copies and phonorecords in the free flow of commerce, retailers often lack privity with the copyright holder. They regularly purchase from independent distributors, a competitor with an "exclusive" on a given title, their own customers (trade-ins), or from merchants with excess inventory. They generally do not know, nor could they reasonably determine, the country in which these copies and phonorecords were made.[25]

Software Rental Amendments Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089. Even Judge Holwell, in *Pearson Education, Inc. v. Liu*, 656 F. Supp. 2d 407 (S.D.N.Y. 2009), *petition for certiorari pending, sub nom, Liu v. Pearson Education, Inc.*, No. 11-708, found that § 109's language and legislative history, and the public policy behind it, all indicated that the place of manufacture was irrelevant.

[25] State "true name and address" laws require identification of the manufacturer, but not the place of manufacture. *See, e.g.*, Fla. Stat. ch. 540.11(3)(a)(3) (2010). A single replicator serving a major copyright holding company may own facilities in different countries. *See, e.g.*, Cecilia Barress, *Cinram DVD plant loses Warner contract; faces more job cuts*, THE TIMES-TRIBUNE, Feb. 2, 2010, *at* http://thetimes-tribune.com/news/cinram-dvd-plant-loses-warner-contract-faces-more-job-cuts-1.590239. (Uniform resource locators (URLs) for all Internet materials last visited July 3, 2012.) Moreover, such laws focus on the reproduction of the

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The NARM DISTRIBUTOR DATABASE,[26] a leading industry database through which copyright owners inform retailers of copies and phonorecords available for distribution, has never contained a field indicating where the copy or phonorecord was made, and no one in the industry has ever requested it. Yet, under the panel majority's holding, prior knowledge of the place of manufacture would be indispensable for any retail merchant or customer.

Moreover, copyright holders commonly sell their copyrights long after copies are in circulation. Neither retail merchants nor consumers can tell who currently owns the copyright just by examining the copy, and the current copyright holder may have little idea where the previous copyright holder made the copies and phonorecords of the work.

B. Retailers' and the public's customary freedom to distribute copies they own would be threatened

Retailers generate billions of dollars of annual revenue distributing copies and phonorecords, and

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primary work being sold, and not the other discrete copies of works that may be included. *See, e.g.*, N.C. Gen. Stat. § 14-435(b) (2010). A music CD, video game, or movie DVD may have been made in the United States, but the copyrighted packaging, instructions or label could have been made elsewhere, setting up a conflict where a single unit of merchandise is concurrently privileged under § 109(a) and not, under the holding below.

[26] *See* http://www.narm.com/PDF/DDB_Brochure.pdf.

licensing reproductions of works into copies and phonorecords, for public benefit. Their businesses are at risk if the Second Circuit's interpretation of "under this title" in § 109(a) takes hold, undoing 160 years of settled expectations under the first sale doctrine.

The varied business models employed by *Amici*'s members demonstrate how the Second Circuit's decision would fundamentally alter the traditional contours of copyright protection and undermine established and legitimate access to copies of expressive works.[27]

1. Selling any noninfringing foreign-made copy would require a license

The Second Circuit's interpretation would radically change settled practice by requiring a license from the copyright holder for the simple act of selling a copy or phonorecord made abroad by or under the authority of the U.S. copyright holder, even if the copyright holder supplies the U.S. market. Copyright holders could grant or withhold licenses on a whim. A disfavored retailer, whether because of its discount pricing, product reviews, or for untold reasons, could be prohibited from selling specific copies or phonorecords for a period of days or for the entire term of

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[27] To the degree not rightfully limited by copyright, such access is fully protected by the First Amendment to the U.S. Constitution.

the copyright, even though the copies were acquired lawfully from a licensed seller.

Copyright holders sometimes grant "exclusives" to certain retailers or for other reasons refuse to sell copies directly to a retailer or a class of retailers. Until now, competing retailers were free to purchase copies or phonorecords from the exclusive retailer and offer them for resale. Under the Second Circuit's reading, however, such copies, if made abroad, would not be "lawfully made under this title," and any unlicensed resale would be infringing.[28]

2. Competition from secondary sales could be suppressed or eliminated

Like the college textbook publishers here, some copyright holders chafe at the growing market for used copies and phonorecords.[29] They fail to appreciate

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[28] We disagree with the suggestion that these evils might be ameliorated by adopting the Ninth Circuit's approach of applying § 109 "only if the copies have been sold in the United States by the copyright owner or with its authority." *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). Passive acquiescence to a third party supplying the U.S. market would suffice to avoid the *Denbicare* trigger.

[29] *See, e.g.*, Mike Anderiesz, *Publishers Rankled By Secondhand Games Boom*, THE GUARDIAN (Jan. 3, 2006), *at* http://www.guardian.co.uk/technology/2006/jan/19/games.guardianweeklytechnologysection2; Troy Wolverton, *Video Games' Second Life*, THESTREET.COM (Dec. 2, 2005); David D. Kirkpatrick, *Online Sales of Used Books Draw Protest*, THE NEW YORK TIMES (Aug. 10, 2002), *at* http://query.nytimes.com/gst/fullpage.html?res=9400e0dc113df933a25757c0a9649c8b63.

that a consumer's original purchasing decision may have been encouraged by the residual value of the new copy, or that the consumer may prefer a cheaper used copy in the same manner that consumers may prefer thousands of other used articles, from cars to clothing.

Under the Second Circuit's holding, manufacturing abroad empowers copyright holders to prohibit all secondary sales, even though they are an established and significant part of the market. *Amici* estimate the market for retail-level resale of used copies to comprise up to 15% of all video game sales and substantial portions of total DVD sales. Independent music retailers estimate used CD sales at about 20% of all sales, on average, with some stores ranging as high as 50%.[30] For video games, where the cost of a new title is substantially higher than for a music CD or movie DVD, used games provide both a lower cost opportunity to acquire these copies, as well as a "trade-in value" that makes the original new purchase more affordable.

A leading industry research firm, The NPD Group, Inc., found an increase in "impulse" used game purchases in response to the recession. Low-cost used games "flourished during the recessionary months to the tune of $65 million in sales," one-third

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[30] This volume of commerce does not include informal sales, or non-commercial redistribution by lending, trading, or gifting.

of gamers bought used games, and "only 10 per cent say they would never buy a used game."[31]

In financially trying times, the secondhand market is a lifeline to low-income customers who otherwise could not gain access to these works.

3. Rental could be prohibited, or royalties extracted

This Court's 1984 decision in *Sony*, 464 U.S. 417, ushered in the age of consumer-owned or rented copies of motion pictures. The videocassette recorder (VCR) provided a platform for explosive market growth in pre-recorded videocassette tapes. Since then, copyright holders have attempted to prevent or impair home video rental, such as by contractual agreements to delay or restrain such trade, exclusive sales to non-renting companies, or labeling copies of videos as "not for rental." Each effort was neutralized by the first sale doctrine and its codification in §§ 109 and 202.[32] Now, the Second Circuit points to offshore

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[31] The NPD Group, Inc. *Bargain-Hunting Gamers Turning to Impulse Buying, Used Titles, at* http://www.npd.com/press/releases/press_091015.html. *See also,* John Gaudiosi, *GameStop Exec Believes It's Highly Unlikely Next Generation PlayStation And Xbox Consoles Will Block Used Games*, FORBES, April 30, 2012, *at* http://www.forbes.com/sites/johngaudiosi/2012/04/30/gamestop-exec-believes-its-highly-unlikely-next-generation-playstation-and-xbox-consoles-will-block-used-games/.

[32] *See, e.g., NEGB, LLC v. Weinstein Co. Holdings*, 490 F. Supp. 2d 89 (D. Mass. 2007) (producer choosing Blockbuster as the exclusive rental store, labeling DVDs sold to others as

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manufacturing as the trick for side-stepping this Court's historic determination that the copyright cannot be leveraged to restrain ownership rights in the non-infringing copy. It provides copyright holders with a roadmap for re-gaining control over copies they no longer own. It offers new opportunities for prohibiting, or extracting royalties for, rental despite that rental has long been permitted under §§ 109 and 202, that Congress has rebuffed efforts to narrow § 109, and that commercial rental practices have served the constitutional purpose of copyright.[33]

"intended for sale only" (with toll-free number to report rentals). Before this Court decided *Sony*, efforts were underway to repeal the first sale doctrine with respect to video rental. *See, e.g.*, Consumer Video Sales-Rental Amendment, H.R. 1029, 98th Cong. (1983), and its Senate companion, S. 33 (both defeated); James Lardner, *Video Wars*, THE WASHINGTON POST, F1, May 2, 1982 ("A little-noticed section of the two royalty bills would abolish the first-sale doctrine for prerecorded videocassettes."). Even today, copyright holders are in tension over retailers' freedom to do with their copies as they please. Paul Sweeting, *Rental ruin?*, VIDEO BUSINESS, March 9, 2009, at 5 (reporting on the 99-cent movies at Redbox rental kiosks, and various studios' efforts to curtail it).

[33] *Harper & Row*, 471 U.S. at 558. Unlicensed rentals, for example, allow home video copies of motion pictures to reach the most remote and least affluent communities, and stimulate production of "direct-to-video" movies that do not depend on "box office" revenues for economic viability. Book rentals similarly stimulated the creation of more literary works in England, *circa* 1725-1850. *See* Richard Roehl and Hal R. Varian, *Circulating Libraries and Video Rental Stores*, FIRST MONDAY, vol. 6, no. 5 (May 2001), *at* http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/view/854/763.

4. Gifting would be at risk

Retailers encourage purchases as gifts. NARM, for example, sponsors the "Give the Gift of Music" campaign to encourage consumers to buy phonorecords for the sole purpose of redistributing them as gifts.[34] The Second Circuit's ruling requires customers to either ensure that their copy or phonorecord comes with a "gift license" or blaze new legal ground by establishing gift-giving of foreign-made copies and phonorecords as non-infringing fair use under § 107.[35]

The risk is not borne by consumers alone. Before special holidays, merchants often *encourage* giving copies and phonorecords of copyrighted works as gifts. To avoid risking liability for "inducing" infringement by customers, the Second Circuit's interpretation counsels that retailers limit such promotions to "domestically made copies and phonorecords only," despite the fact that the place of manufacture is frequently difficult or impossible to determine.[36]

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[34] *See, e.g.*, *NARM, RIAA Refresh 'Give the Gift of Music' Promotional Campaign*, June 10, 2010, *at* http://www.narm.com/news/narm-riaa-refresh-'give-the-gift-of-music'-promotional-campaign/.

[35] And, would the fair use analysis change if the copyright owner was marketing a higher-priced gift version, and gifting of the regular version was perceived as undercutting sales of the package with higher margins?

[36] *See supra*, at 22.

C. The Second Circuit's decision jeopardizes consumers' full use and enjoyment of their property, and limits the rights of other copyright owners

1. Potential liability for common, everyday acts, would chill the exchange of constitutionally protected speech

When *Amici*'s customers purchase noninfringing copies, they rely on longstanding expectations that ownership is outright, unencumbered by servitudes; and with the right of alienation by any means they choose (sale, trade, gift, bequest, or lending). The Second Circuit's ruling lays down a legal minefield for engaging in customary heretofore-lawful activities. For example:

- Beyond yard sales, web portals like Amazon.com, eBay, Craigslist and Valorebooks, are available for consumers to sell their copies nationwide. Some copyright holders have already sought injunctions against retail sites (and those using them) where owners of noninfringing copies were selling them at sharp discounts.[37] The Second Circuit's ruling would encourage this.

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[37] *See, e.g., Okocha v. Amazon.com*, 153 Fed. Appx. 849 (3d Cir. 2005) (Nigerian author and publisher of a work, the copies of which were printed and sold in Nigeria in 1993, sued to halt online resale in competition with self-published copies of the same work in the U.S. in 2002; dismissal upheld on the basis of § 109); *Pearson Education, Inc. v. Valore, Inc.*, No. 07-cv-01348-JG-JMA, *consent judgment* (E.D.N.Y. Dec. 17, 2007) (prohibiting

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- Executors of decedents' estates would need to cull through the estate's belongings to identify any articles that are "copies" made abroad. The burden is not limited to books, photographs, movie DVDs, music CDs, and the like. (The last two first sale doctrine cases to reach this Court[38] illustrate that claims of infringement could come from watchmakers and creators of shampoo bottle labels.) The law-abiding executor must also contend with the fact that even a distribution to the trash collector may be infringing.

- Trading-in used video games would require a license for both the customer trading it in and the retailer selling it thereafter. Publishers could legitimately give retailers a "black list" of games that cannot be traded in, or, conversely, a royalty sheet of what must be paid to the copyright holder to authorize the trade-in.

Valore, operator of the valorebooks.com website, from allowing anyone to sell books "manufactured abroad and intended for sale abroad," and thereby suppressing the distribution of copies of the works of all other copyright holders, even if they welcomed such sales); *Pearson Education, Inc. v. Liao*, No. 07-civ-2423 (SHS), 2008 U.S. Dist. LEXIS 39222 (S.D.N.Y. May 13, 2008) (ruling against a *pro se* defendant). Respondents have already sued dozens of online resellers in the Southern District of New York, often as *pro se* defendants, resulting in numerous default judgments and settlement agreements based on the theory eventually adopted by the panel majority, below.

[38] *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2012); *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998).

- Compliance with the new rule could create Lanham Act liability for anyone choosing to remove a foreign-made copyrighted label bearing the producers' trademark in order to sell the underlying product that is either not copyrighted at all, or is a noninfringing copy made in the U.S.

The panel majority below has dramatically altered the legal landscape in innumerable ways, and the import reaches common citizens in their daily routines. Not an academic exercise for lawyers, the holding is already raising doubts in the general press. *See, e.g.*, Marvin Ammori, *If You've Ever Sold a Used iPod, You May Have Violated Copyright Law*, THE ATLANTIC, June 8, 2012, *at* http://www.theatlantic.com/national/archive/2012/06/if-youve-ever-sold-a-used-ipod-you-may-have-violated-copyright-law/258276/. Legal uncertainty will dampen the dissemination of works through secondary exchange of copies and phonorecords.

2. Consumers authorized to make reproductions could be illogically penalized for doing so outside of the United States

Consumers routinely make *authorized* copies and phonorecords when browsing news through the Internet, downloading a podcast, sending and receiving e-mail, purchasing the latest "app" or installing a new computer program – or its latest security update. The ever-increasing capacity of storage media increases the likelihood that many thousands of works,

authored by myriad discrete copyright owners, will be reproduced onto a single tangible medium. They may have been authorized by the copyright owner, or by law (*e.g.*, §§ 115, 117). Similarly, computer users are accustomed to routinely reproducing additional works onto their devices at the urging of the copyright holder, in the form of "updates," "patches," and "drivers," by downloading directly from the copyright holder's Internet website at no charge. A growing number of copyright owners authorize the copy to be restored in case of corruption of the file or malfunction of a hard drive. "Automatic updates" may install new works with no intervention by the owner of the tangible medium that becomes the new copy. The original might have been reproduced in the U.S., but the replacement or "update" made abroad. The very notion of pinpointing "where" the copy is made can be a challenge.[39] It makes little sense for these noninfringing reproductions made in full compliance with the Copyright Act or authority of the U.S. copyright holder to trigger the loss of a person's freedom to alienate the device onto which they were made.

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[39] "Nothing in the statute limits the manner in which the making of the copy may be accomplished, so long as the resulting copy is lawful." DMCA SECTION 104 REPORT, at 23.

3. Copies made in the U.S. would be burdened if they share the same tangible medium as a copy made abroad

Under the Second Circuit's holding, if any such authorized reproductions are made while the device is outside of the United States, every U.S. copyright holder of every work so reproduced would enjoy a distribution right over the computer, portable media player or smartphone once it re-enters the country. The holding creates a legal quagmire when a single tangible medium contains works reproduced onto it both within and beyond U.S. borders. If all are reproduced lawfully, consistent with the Copyright Act (*i.e.*, under authority of the U.S. copyright holder or of the Act), the owner of the medium has, concurrently, both an absolute right (under §§ 109 and 202) and no right at all (under the holding below) to sell it or lend it.

A fundamental basis for this Court's holding in *Sony*, 464 U.S. 417, was the principle that a copyright owner may not "enlarge the scope of [its] statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection," *id.*, at 421. The Second Circuit's interpretation makes that enlargement an unintended side effect.

CONCLUSION

This Court has recognized the importance of carefully demarcating the boundaries between the

reach of the copyright and the wealth of activity beyond that reach.

> Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.

Fogerty v. Fantasy, Inc., 510 U.S. 517, 527 (1994). In demarcating those boundaries, the rights of owners of copies and phonorecords must also be weighed, precisely because they have rights separate from and superior to those of the copyright owners.

The Second Circuit has departed from over 160 years of judicial and legislative jurisprudence in which the first sale doctrine never looked to the place where the U.S. copyright holder made the copy to determine whether the owner of the copy was entitled to alienate ownership. Given the long and unbroken history in which both custom and law honored exhaustion of the distribution right once title passed to another, coupled with the legislative history of the 1976 Act asserting no intent to change that history, the Second Circuit's holding below should be reversed. It is irreconcilable with the first sale doctrine's purpose, roots, and longstanding application; likely to create chaos in the marketplace; and serves no discernible objective of the Constitution's copyright clause in article 1, section 8.

Since the U.S. copyright owner's exclusive right to distribute copies is not restricted to those made domestically, neither should exhaustion of the distribution right, or the copy owner's § 109 right to which it is subject, be restricted to copies made domestically. Accordingly, this Court should reverse the judgment below.

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AMICUS CURIAE BRIEF

RECORD
AND
BRIEF

No. 11-697

Supreme Court, U.S.
FILED
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In the Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,
PETITIONER,

v.

JOHN WILEY & SONS, INC.,
RESPONDENT.

On Writ Of Certiorari to
the United States Court of Appeals
for the Second Circuit

BRIEF FOR GOODWILL INDUSTRIES INTERNATIONAL, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the first-sale doctrine, which is codified at Section 109(a) of the Copyright Act and allows the owner of a copy "lawfully made under this title" to sell or otherwise dispose of the copy without the copyright owner's permission, precludes liability under Section 602(a)(1) of the Copyright Act, which makes it impermissible to import copies of a copyrighted work "without the authority of the owner."

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INTRODUCTION AND INTEREST OF THE *AMICUS CURIAE*[1]

In the decision below, the Second Circuit held that the "first-sale doctrine" codified in Section 109(a) of the Copyright Act "applies only to copies manufactured domestically," and for that reason does not foreclose liability under Section 602(a)(1) for "*import[ing]*, without the authority of the owner of the copyright . . . copies . . . of a work that have been acquired outside the United States." In so holding, the Second Circuit effectively and without statutory warrant gutted the first-sale doctrine as applied not only to the unauthorized importation of copies acquired abroad, but also to subsequent *sales* of those works by bona fide purchasers in the United States.

The Second Circuit's decision thus threatens the ability of charitable organizations, such as Goodwill Industries International, Inc. ("Goodwill"), the nation's fourth largest charitable organization, to fund their missions. Every year, millions of people donate their used clothes, lamps, books, and countless other items to Goodwill. Goodwill resells these donated goods through over 150 domestic independent retail locations and through its website, www.shopgoodwill.com. Goodwill's mission—to help individuals, families, and communities "reach their full potential through learning and the power of work"—depends directly upon the revenue generated from the sale of millions of donations made each year, which support job training and other

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[1] The parties have consented to the filing of this brief, and their letters of consent are on file with the Clerk. No counsel for any party has authored this brief, in whole or in part, and no counsel or party has made any monetary contribution intended to fund the preparation or submission of this brief.

community-based services for people with challenges to employment.

In the last year alone, 79 million United States citizens donated their used goods to Goodwill, generating $2.59 billion that went directly to support the creation of jobs in this country. As a result, Goodwill helped 189,000 people find jobs and provided job training to another 4.2 million people—work that was directly funded by Goodwill's resale of donated items.

Goodwill's charitable work is accomplished through the secondary market, with Goodwill acting as a nonprofit reseller for the betterment of the United States, its economy, and its workforce. Accordingly, the outcome of this case is of extraordinary importance to Goodwill, and to charitable endeavors across the country. Should the Second Circuit's decision be affirmed and this Court determine that the first-sale doctrine does not include goods manufactured abroad, the change in the law will have a catastrophic effect on the viability of the secondary market and, consequently, on Goodwill's ability to provide needed community-based services.

Accordingly, for the reasons explained below, Goodwill respectfully requests that the Court overturn the Second Circuit's decision—either by reversing that decision outright, or by affirming on the alternative ground that, although the importation clause may create liability for those who impermissibly import a copyrighted good, the first-sale protection still attaches for subsequent sellers like Goodwill.

STATEMENT

This action arises from an individual's attempt to import and resell textbooks, manufactured and lawfully purchased abroad, in the secondary market. As a student at Cornell University, Petitioner Supap Kirtsaeng, a native of Thailand, subsidized his expenses by lawfully purchasing English-language textbooks in Thailand (either personally or through family members), shipping them to the United States, and reselling the textbooks on the Internet auction site eBay. P.A. 6-7a; J.A. 63, 80. In total, Mr. Kirtsaeng received $37,000 in revenue from the sale of the copyrighted textbooks at issue here. J.A. 63.

Some of the textbooks sold by Mr. Kirtsaeng were copyrighted in the United States by Respondent John Wiley & Sons, Inc. ("Wiley"). J.A. 61-62, 197; S.A. 1-17. These textbooks were produced by Wiley through an Asian subsidiary for sale in specific Asian markets. J.A. 7-8, 65-66. They were, however, also expressly protected under United States copyright law. J.A. 179, 182, 184. Wiley sued Mr. Kirtsaeng in the United States District Court for the Southern District of New York claiming copyright infringement. P.A. 49a.

Mr. Kirtsaeng raised an affirmative defense predicated upon the first-sale doctrine. However, before trial the district court rejected Mr. Kirtsaeng's first-sale defense as a matter of law. P.A. 44-77a. The district court stated that a first-sale defense was "unavailable to goods manufactured in a foreign country." P.A. 59a. A jury found Mr. Kirtsaeng

liable for the willful infringement of eight of Wiley's works, and awarded Wiley $600,000 in damages. P.A. 12a.

Mr. Kirtsaeng appealed the jury award to the Second Circuit. P.A. 12a. The majority of a divided panel held that "the phrase 'lawfully made under this Title' in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." P.A. 27-28a.

However, Judge J. Garvan Murtha, sitting by designation, noted in his dissent that "the first-sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured." P.A. 34a. As we demonstrate below, Judge Murtha was correct.

SUMMARY OF THE ARGUMENT

The purpose of the Copyright Act is to "promote the Progress of Science and useful Arts, by securing, for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." See U.S. CONST. art. I, § 8, cl. 8. To safeguard this right, copyright holders are given a limited monopoly in their works.

The first-sale doctrine, first articulated by this Court in *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 350 (1908) further defines the scope of that monopoly. In *Bobbs-Merrill*, the Court mandated that, although copyright owners have the exclusive right to profit from the sale of their works, they cannot control future prices of goods in the stream of commerce after the first-sale. *Id.* This legal principle strikes a balance between the rights of copyright holders and of businesses, charities, and

consumers. The continued existence of the first-sale doctrine is essential because it makes the market for secondary goods possible—it allows resellers to sell goods at prices that people are willing to pay for them, free from the pervasive threat of a copyright infringement claim.

The Second Circuit's decision, however, directly undermines the first-sale doctrine and the alienation rights it protects. Relying on nothing more than dicta and the "ambiguous" language of section 602(a), the Second Circuit found that the first-sale doctrine *never* applies to foreign-manufactured works. *John Wiley & Sons, Inc.*, v. *Kirtsaeng*, 654 F.3d 210, 220-21 (2d Cir. 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (P.A. 24a). Moreover, the Second Circuit reasoned that Congress intended to allow copyright owners to "treat differently the international and domestic markets for the particular copyrighted work." P.A. 25a.

This interpretation makes it financially and organizationally impossible for a charitable organization like Goodwill to function. By limiting first-sale protection to only those items manufactured in the United States, the Second Circuit puts the onus of investigating the origin of goods in the secondary market on the purchaser—or as with Goodwill—the recipient of a donation. That approach diverts critical resources provided by the donating public to assist Goodwill in accomplishing its mission, and would require the redirection of Goodwill's limited resources to internal policing and investigative activities.

What is worse, there is no sound legal basis for the Second Circuit's interpretation. To the contrary, the Second Circuit misconstrued the statutory text of

the Copyright Act, by rendering Section 109(a) subject to Section 602(a). In doing so, it wholly mistook the interaction between the first-sale doctrine and the importation provision: As a matter of statutory construction, the importation provision must itself be subject to the first-sale doctrine with respect to goods manufactured and purchased abroad.

But even were the Court *not* to accept the principle that the importation provision is subject to the first-sale defense, the two sections of the Copyright Act *can* still exist in harmony: Copyright owners who object to the re-sale of foreign-manufactured goods in the United States can assert a claim for unlawful *importation* under Section 602(a) without invalidating the effect of the initial foreign sale of the goods as to subsequent purchasers. If the Court elects to affirm the judgment below, we urge the Court to do so on this basis rather than on the ground, embraced by the Second Circuit, that the first-sale doctrine does not apply at all to copies manufactured abroad.

The Second Circuit's improper interpretation, moreover, is based primarily on a misreading of this Court's decision in *Quality King*, a misreading that disserves the purpose of the first-sale doctrine entirely.

The Second Circuit's formulation of the Copyright Act is also wrong as a matter of public policy. In addition to the potential impact on the secondary market and charitable giving, the Second Circuit's analysis would skew the balance between copyright owners and lawful purchasers, allowing copyright owners wide latitude to control markets and utilize discriminatory pricing. As a result, copyright owners

who manufacture goods outside the United States would retain *more* control over their copyrighted works than owners who manufacture copies in the United States—thus perversely incentivizing copyright owners to move manufacturing overseas.

In essence, the Second Circuit's decision destroys first-sale protection for all copyrighted works manufactured abroad; allows copyright holders to control the price of a foreign-produced copyrighted work no matter how many times it is resold; and subjects every stakeholder in the economy to potential copy-right infringement liability for the resale of copyrighted works that happen to be manufactured abroad. The Second Circuit's rule thereby severely limits the viability of the secondary market for used goods, and thus threatens the ability of Goodwill and similar charities to carry out their charitable missions.

ARGUMENT

I. The Second Circuit's Rule Would Make it Extremely Difficult To Run a Charity that Relies on the Donation of Secondhand Goods To Generate Revenue

One serious and undoubtedly unintended consequence of the Second Circuit's decision is that it would increase the cost of operations for charities like Goodwill, who rely on the donation of secondhand goods, to a level that would make funding their charitable missions an extremely challenging. Today, to fund its charitable activities, over 150 Goodwill retail locations in the United States sell donated goods. See Goodwill Industries International, Inc., http://www.goodwill.org (last visited June 25, 2012). In 2011, 79 million people donated to Goodwill in the United States and

Canada. *Id.* That same year, Goodwill provided services to more than 4.2 million individuals, of which 189,000 found jobs. *Id.* Those placed into employment went on to earn $2.95 billion in taxable income. *Id.* In addition to job training, Goodwill also provides a host of community-based programs, including childcare, financial education, free tax assistance, residential and medical services, transportation, and youth mentoring. *Id.*

This is supported by the sale of used goods in the secondary market—both at Goodwill's retail locations and through its online platform, www.shopgoodwill.com.[2] Last year, Goodwill generated $2.59 billion from the sale of used goods—money that was used directly to support the creation of jobs and provide other community-based services.

A. The Decision Below Could Impact Goodwill's Ability To Support its Charitable Mission

If the Second Circuit's decision is affirmed, every charity in the United States that relies on public donations would need to somehow investigate the origin of each donation or risk being sued for infringement. As the Ninth Circuit explained in *Disenos Artisticos E Industriales, S.A.* v. *Costco Wholesale Corp.*, "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American

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[2] www.shopgoodwill.com is the nation's first nonprofit internet auction site. Goodwill Industries International, Inc., http://www.goodwill.org (last visited June 25, 2012). The most valuable goods Goodwill collects are sold on this platform. *Id.* Since 1999, 5.6 million items have been auctioned and by 2010, there were 567,000 registered users internationally. *Id.* In 2011, www.shopgoodwill.com generated $143 million in revenue that was used to support Goodwill's ultimate mission. *Id.*

distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." 97 F.3d 377, 380 (9th Cir. 1996). Even assuming an investigation into the millions of items received by Goodwill each year could successfully be conducted, Goodwill lacks the resources to determine whether a particular item were manufactured abroad and, if it was manufactured abroad, whether the item was imported into the United States with the copyright owner's consent.[3] Given the sheer number of donations made to Goodwill, conducting these investigations would be financially and operationally impossible. The potential added transaction costs from the Second Circuit's ruling would do serious harm to Goodwill and adversely affect the running of its charitable operations.

Nor can Goodwill solve this problem by monitoring the origin of donated goods. Goodwill depends upon third parties to donate the items that help support the Goodwill mission, both at its retail locations and through its website, www.shopgoodwill.com. Congress has already espoused an interest in promoting the expansion of e-commerce, through the provision of safe harbors for Internet service providers in the Digital Millennium Copyright Act ("DMCA"). S. Rep. No. 105-190, at 1-2

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[3] Vast quantities of used goods pass through Goodwill's charitable retail outlets every year. See Goodwill Industries International, Inc., http://www.goodwill.org (last visited June 25, 2012). Given that the United States currently has a trade deficit of approximately $50 billion, there is a very high probability that a particular item donated to Goodwill was manufactured abroad. See *U.S. International Trade in Goods and Services Highlights*, UNITED STATES CENSUS BUREAU (June 8, 2012), *http://www.census.gov/indicator/www/ustrade.html*.

(1998); H.R. Rep. No. 105-551, pt. 2, at 21 (1998) (the purpose of the DMCA is to "facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education in the digital age," and "balance[] the interests of content owners, on-line and other service providers, and information users in a way that will foster the continued development of electronic commerce and the growth of the Internet."). Goodwill is simply furthering the intent of Congress espoused in the DMCA by bringing charitable work into the Internet age through an online platform for the re-sale of donated goods.

Goodwill, like any online retailer, relies upon the assumption that people donating items to Goodwill are authorized to do so.[4] Like service providers subject to safe harbor from copyright infringement liability under the DMCA, Goodwill and other charitable organizations are directly reliant upon the conduct of third parties for their very existence. Any duty to investigate the origin of each item donated to one of Goodwill's over 150 retail locations in the United States would severely undermine the ability of Goodwill to provide services to those in need and achieve its mission.

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[4] In this respect, Goodwill is analogous to an Internet service provider that relies upon its users to upload or share only that content to which they have the requisite intellectual property rights. Under the DMCA, for example, parties at risk of infringement based upon the conduct of third parties are under no duty to investigate third party infringement. See, e.g., 17 U.S.C. § 512(c); *Perfect 10, Inc.* v. *CCBill LLC*, 488 F.3d 1102, 1114 (9th Cir. 2007) (finding that under 17 U.S.C. § 512(c)(1)(A)(ii) a service provider is not required to investigate potentially infringing conduct); *UMG Recordings, Inc.* v. *Shelter Capital Partners LLC*, 667 F.3d 1022, 1038 (9th Cir. 2011).

B. The Decision Below Could Have a Chilling Effect on Donations

Removing first-sale protection from foreign-manufactured goods would also undermine the willingness of consumers to donate their used items to charity. Without the protection of the first-sale doctrine, consumers themselves could be held liable for infringement for violating a copyright owner's distribution rights. A consumer would first "have to determine the origin of the copy—either domestic or foreign—before she could sell it [and] [i]f it were foreign made . . . she would need to receive permission from the copyright holder." See P.A. 40a (Murtha, J. dissenting). Just like charities and retailers, individuals typically lack the means to determine the manufacturing and sales history of the goods they buy and sell.

If first-sale protection is dependent upon the place of manufacture, consumers could be held liable for infringement even if items were purchased in the United States. For example, imagine an American consumer going to Britain on vacation and buying a musical album on compact disc that is also copyrighted in the United States. If she sells the British-manufactured album at a garage sale at some time after returning home, she could be held liable for copyright infringement under the ruling below. Likewise, if she decided to donate that same album to Goodwill instead of personally reselling it, she could be liable for infringement simply by making the donation, because under the Copyright Act, a copyright owner's exclusive right to distribute extends to any "transfer of ownership." 17 U.S.C. § 106(3). Because the physical CD was manufactured abroad, the first-sale doctrine would never apply.

Similarly, imagine that Ralph Lauren sold a license to a Chinese company to manufacture and distribute polo shirts in China. What if another Chinese company purchased the polo shirts in bulk, shipped them to the United States, and they were purchased by a consumer? If the consumer decided to donate her used polo shirt to Goodwill she could be held liable for copyright infringement—because the polo shirt was manufactured abroad, it would never be subject to first-sale protection.

Faced with potential copyright infringement liability, consumers would likely be significantly less generous in their donation of goods to charity. Threatened by litigation, the potential chilling effect on donation would make it impossible for Goodwill to run its retail operations and perform its core mission. The Second Circuit even acknowledged the disincentive its ruling places on consumers. As the court explained:

> [T]he copyright holder would arguably enjoy the proverbial "best of both worlds" because, in theory, the consumer could not rely on the first-sale doctrine to re-sell the imported copy. In other words, the copyright holder would have an incentive to "outsource" publication to foreign locations to circumvent the availability of the first-sale doctrine as a defense for consumers wishing to re-sell their copies in the domestic market . . . . We acknowledge the force of this concern, but it does not affect or alter our interpretation of the Copyright Act.

P.A. 28a n.44.

What the court fails to discuss, however, is the devastating effect its decision has on the secondary market for goods, and charitable organizations in

particular. Absent first-sale protection for goods manufactured abroad, consumers will be discouraged not only from *reselling* used goods, but from *donating* used goods to Goodwill. Without support from individual donations, Goodwill will have great difficulty funding its charitable mission. And of course, Goodwill, a nonprofit reseller of many goods subject to copyright protection, would be placed in the untenable position of having to determine the origin of every donated item on pain of copyright liability. That risk is simply untenable.

II. The Second Circuit's Decision Misconstrues the Statutory Text, this Court's Prior Decisions, and the Purpose of the First-Sale Doctrine

There is no sound basis for the Second Circuit's decision. By its terms, the first-sale doctrine protects any copy "lawfully made under this title." 17 U.S.C. § 109(a). The disagreement among the circuits turns on how to interpret this phrase. See *Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988); *Omega S.A.* v. *Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *cert. granted*, 130 S. Ct. 2089, *aff'd by an equally divided court*, 131 S. Ct. 565 (2010); P.A. 24a-28a; *Denbicare U.S.A. Inc.* v. *Toys "R" Us, Inc.*, 84 F.3d 1143 (9th Cir.), *cert. denied*, 519 U.S. 873 (1996). The Third Circuit chose the most reasonable interpretation, finding that a first sale by the copyright owner extinguishes any right of the owner to later control the importation or subsequent sale of the sold goods. See *Sebastian*, 847 F.2d at 1099. The Ninth Circuit invented an alternate approach and found that goods are subject to the first-sale doctrine only if they were imported and sold in the United States with the authorization of

the copyright owner.[5] See *Denbicare*, 84 F.3d at 1150. But in the decision below, the Second Circuit took this position even further, finding for the first time that goods manufactured abroad are *never* subject to first-sale protection, regardless of how many times they are sold in this country. P.A. 24a-25a.

However, the majority below repeatedly expressed uncertainty about the meaning of the statute it interpreted and the law it relied on. According to the Second Circuit majority, there were no less than three separate possible meanings of Section 109(a):

> "[L]awfully made under this title" could plausibly be interpreted to mean any number of things, including: (1) "manufactured in the United States," (2) "any work made that is subject to protection under this title," or (3) "lawfully made under this title had this title been applicable."

P.A. 23a. As the majority explained, Mr. Kirtsaeng "would prevail if we adopted either of the latter two definitions," both of which were "consistent with a textual reading of § 109(a)." *Id.* at P.A. 24a n.38. Yet, instead, the court adopted the first definition, despite its concern that its decision would allow a copyright owner to "completely control the resale of its product in United States" and "circumvent the availability of the first sale doctrine as a defense for consumers wishing to resell their copies in the domestic market." *Id.* at P.A. 28a n.44. Because the

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[5] To the extent the rule envisioned by the Ninth Circuit would require Goodwill, or any charity reliant upon donated goods, to determine whether donations were imported with authorization would create a burden of investigation similar to the rule adopted by the Second Circuit. See *supra* Section I(A).

Second Circuit believed Section 109(a) was ambiguous, it relied on a mere implication gleaned from Section 602(a)—that 602(a) was "obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work." *Id.* at P.A. 25a.

As we now show, there is no reasonable statutory basis for the Second Circuit's decision. Indeed, as illustrated by the dissent and the decisions of the Third and Ninth Circuits, Mr. Kirtsaeng has at least a reasonable argument that the first-sale doctrine in Section 109(a) works an exception to the portion of Section 602(a) creating liability for importers of goods manufactured abroad. But even if that were not true, the natural meaning of Section 109(a) is that the first-sale doctrine takes effect once a good is legally purchased—even where that good was both manufactured and sold abroad—and that it protects all subsequent owners of that good from infringement based on the *sale* of the good, even if the importer is liable under Section 602(a) based on the *importation* alone. A copyright owner may thus seek to enforce its rights under Section 602(a) without abrogating the first-sale doctrine at all, and without subjecting innocent subsequent owners of a good to unanticipated copyright infringement claims.

A. A Proper Reading of the Copyright Act Supports First-Sale Protection for Goods Manufactured and Purchased Abroad

The Second Circuit's decision is untenable as a matter of statutory construction, for several reasons.

1. The Language and History of Section 602 Support First-Sale Protection for the Sale of Goods Manufactured and Purchased Abroad

First, although most courts interpreting the intersection between the first-sale doctrine and importation doctrine focus on the seemingly ambiguous phrase "lawfully made under this title" in Section 109(a), it is equally important to seek guidance from the language of Section 602(a)(1). The importation doctrine, codified in Section 602(a)(1), is expressly derivative of the rights and the limitations granted in Section 106. Section 602(a)(1) states that:

> [i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . *under section 106.*

17 U.S.C. § 602(a)(1) (emphasis added). Section 106 of the Copyright Act grants exclusive rights to copyright owners. 17 U.S.C. § 106. One such right is the exclusive right "to distribute copies . . . of the copyrighted work to the public by sale . . . , rental, lease, or lending." 17 U.S.C. § 106(3).

However, the exclusive right to distribute granted by Section 106 is not absolute. Rather, Section 106 is subject to the limitations enumerated in Sections 107 through 122. 17 U.S.C. § 106. For example, the right to distribute is limited by the right to fair use of copyrighted work. See 17 U.S.C. § 107. For this reason, the copyright owner of a videotaped boxing match featuring Muhammad Ali would have no right to stop the distribution of a biography about Muhammad Ali that included a copyrighted clip from

one of his matches—the clip is informational and thus a fair use. See *Monster Commc'ns, Inc.* v. *Turner Broad. Sys., Inc.*, 935 F. Supp. 490 (S.D.N.Y. 1996).

The first-sale doctrine, codified in Section 109(a), is another key limitation to the exclusive right to distribute provided by Section 106. Under the first-sale doctrine, a copyright owner has no further distribution rights after the first sale. 17 U.S.C. § 109(a). Since the importation doctrine of Section 602(a)(1) is expressly derived from limited rights granted in Section 106, it necessarily follows that the importation doctrine is also subject to the first-sale doctrine.

This Court reached that very conclusion in *Quality King Distributors, Inc.* v. *L'anza Research International Inc.*, 523 U.S. 135, 144 (1998). There, the Court explained that because "§ 106 rights are subject not only to the first sale defense in § 109(a), but also to all the other provisions of sections '107 through 120,'" § 602(a) cannot "function[] independently" of § 109. *Id.* at 150. The Court found that "the former [Section] does not subsume the latter; those provisions retain significant independent meaning." *Id.* at 148-49.

The Court's reasoning in *Quality King* cannot be reconciled with the rule adopted by the Second Circuit because the idea that the first-sale doctrine *never* applies to copyrighted goods manufactured abroad allows the first-sale doctrine to be completely subsumed by the importation prohibition. Rather than allowing both provisions to carry equal weight, a domestic manufacturing requirement places significant limits on the scope of goods that can receive first-sale protection. Anything from tooth-

brushes made in China to Mercedes-Benz sedans produced in Germany would be excluded from first-sale protection and—at the same time—copyright owners would have vastly increased powers to distribute these same goods in the stream of commerce. The Court "should not put [its] thumb on the legislative scale" and so drastically shift the balance of power in favor of copyright owners at the expense of consumers, charities, and businesses that rely on the secondary market. *Disenos Artisticos*, 97 F.3d at 380.

Moreover, nothing in the statutory history of Section 109 or 602 suggests that Congress intended to allow a copyright holder to control distribution of foreign-made products indefinitely. Congress acknowledged that "[t]he first sale doctrine has its roots in the English common law rule against restraints on alienation of property." H.R. Rep. No. 98-987, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2899. The stated rationale for the rule is that "it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale." H.R. Rep. No. 60-2222, 60th Cong., 2d Sess. (1909). Nowhere did Congress suggest that the principle should be limited to goods produced in the United States.

Similarly, the House Report discussing the 1976 act merely states that § 602(a)(1) covers situations where "copies . . . were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights." H.R. Rep. No. 94-1476, at 170 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5786. The description in the House Report is entirely consistent with the first-sale doctrine: Section 602(a)(1) is intended to allow

copyright owners to prevent foreign distributors from licensing their products for sale abroad and then, in violation of the license agreements, selling the goods for the first time in the United States (the first-sale). The Court thus need not find that first-sale protection *never* applies to foreign-manufactured and purchased goods in order to give effect to Section 602(a).

Indeed, as previously noted, even if this Court elects to affirm the judgment below, it can and should do so on a narrower ground—that is, that the importation prohibition in Section 602(a)(1) overrides or avoids the first-sale defense only as to a claim for unlawful importation, but does not make that defense categorically unavailable for goods manufactured outside the United States. That conclusion can easily be reached simply by construing the phrase "sell or otherwise dispose of" in Section 109(a) as being limited to the act by which the owner of a copy disposes of his ownership interest. And because the mere "importation" of a copy does not by itself dispose of the owner's interest, the first-sale rule in Section 109(a) would not extend to "importation" of a copy under Section 602(a)(1).

2. Congress Used the Phrase "Lawfully Made Under This Title" in Other Sections of Title 17 and Was Not Referring to a Domestic Manufacturing Requirement

Similar conclusions follow from an examination of other sections of Title 17 using the same phrase. Congress would not use the same phrase multiple times in the same Act and intend it to have more than one meaning. See *Powerex Corp.* v. *Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007)

("identical . . . phrases within the same statute should normally be given the same meaning"). The phrase "lawfully made under this title" appears six times throughout the Copyright Act. See §§ 109(a), 109(c), 109(e), 110, 1001, 1006. In each instance, application of Second Circuit's definition would yield an absurd result.

For example, Section 109(c) provides that ". . . the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publically . . . ." 17 U.S.C. § 109(c). Applying the Second Circuit's interpretation of "lawfully made under this title" to Section 109(c), a purchaser of a painting made in New York could hang that painting in the lobby of his New York office building without fear of copyright infringement liability. However, the purchaser of a painting made in Montreal, outside of the geographic scope of the Second Circuit's interpretation of "lawfully made under this title," could not hang the painting in the lobby of the New York office building without the authorization of the copyright owner. It strains credulity that the same language, used in the same statute, could in one section apply only to works manufactured in the United States (§ 109(a)) and in another apply to works manufactured anywhere in the world (§ 109(c)).

The phrase "lawfully made under this title" is also used in the Audio Home Recording Act ("AHRA"), which regulates the importation of audio recording devices and requires that royalty payments be made to copyright owners from manufacturers, importers, or distributors of such devices. 17 U.S.C. § 1001. The AHRA provides that royalties are owed to

owners of copyrighted works "embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed." 17 U.S.C. § 1006(a)(1)(A). Under the Second Circuit's interpretation, royalty payments would only be distributed to copyright owners of physical copies made in the United States. But this result is in direct conflict with other sections of the AHRA, which explicitly provide for royalty payments on audio recordings imported into the United States. 17 U.S.C. § 1004.

If Congress intended § 109(a) to apply only to copies manufactured in the United States it would have written "lawfully manufactured in the United States." See P.A 38a (Murtha, J. dissenting). Reading that same meaning into the phrase "lawfully made under this title" makes no sense.

3. Where Congress Considered the Place of Manufacture To Be Important, the Statutory Language Is Unequivocal

If Congress intended to limit the first-sale doctrine to copies manufactured in the United States, it could have explicitly done so in Section 109(a). The original first-sale doctrine did not state that a copy had to be "lawfully made under this title" before it could receive protection. Copyright Act of 1909 Ch. 320, § 41, 35 Stat. 1075, 1084 (1909). Rather, the original statute provided, "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained.*" *Id.* (emphasis added). And as this Court has noted "[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope." *Quality King*,

523 U.S. at 152. Therefore, the slight change in the wording of the statute should not create a broad limitation on the goods covered by the first-sale doctrine.

Moreover, when Congress intended the place of manufacture to be relevant to the meaning of a section in the copyright law, it explicitly wrote the requirement into the statute. For example, the "manufacturing clause" formerly located at Section 601(a) stated that the importation of certain works were prohibited unless "such material have been manufactured in the United States or Canada." 17 U.S.C. § 601 (1976) (repealed 2010). Under the manufacturing clause, "a book or periodical in the English language [had to] be manufactured in the United States in order to receive full copyright protection." H.R. Rep. No. 94-1476, at 164 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5780. However, the manufacturing clause was phased out starting in the 1970s and eventually was repealed. 17 U.S.C. § 601 (1976) (repealed 2010). The legislative history reveals that even in the 1970s the manufacturing clause was both antiquated and a burden on economic progress. As the House Committee explained:

> The manufacturing clause violates the basic principle that an author's rights should not be dependent on the circumstances of manufacture. Complete repeal would substantially reduce friction with foreign authors and publishers, increase opportunities for American authors to have their works published, encourage international publishing ventures, and eliminate the tangle of procedural requirements now burdening authors, publishers, the Copyright Office, and the United States Customs Service.

H.R. Rep. No. 94-1476, at 165 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5781.

Furthermore, the Committee concluded that the provision placed "unjustified burdens on the author, who is treated as a hostage." *Id.* For these reasons, the Committee took steps to gradually eliminate the provision from the Copyright Act. Had Congress intended the first-sale doctrine to be limited by a manufacturing requirement, it thus could certainly have written this requirement into Section 109(a). See *Sebastian*, 847 F.2d at 1098 n.1 ("When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern"). But it did not.

Moreover, Congress' reasoning in repealing the manufacturing requirement shows that Congress disfavored geographic limitations that restrained trade and economic progress. Adding a judicially created manufacturing requirement to the first-sale doctrine would create far worse economic problems than the manufacturing requirement ever did. Such a requirement would not only restrain trade for works of literature, but it would also wreak havoc across every industry that depends upon the importation of foreign copyrighted goods, including the charitable work of Goodwill.

B. The Second Circuit Misinterpreted Dicta from this Court's Holding in *Quality King*

The Second Circuit's improper conclusion is based largely on misinterpreted dicta from this Court's opinion in *Quality King*. In *Quality King* the Court decided, as a matter of law, that "the first sale doctrine endorsed in § 109(a) is applicable to imported copies." 523 U.S. at 138. The Court made

clear that the limited rights granted by the importation doctrine in Section 602(a) did not apply to the "resale by lawful owners" of copyrighted products. Therefore, there was no copyright violation when goods intended for sale abroad were resold in the United States. *Id.* at 145. The Court explained that "the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of [the plaintiff's] products who decide to import them and resell them in the United States." *Id.*

Unfortunately, the Second Circuit ignored the Court's holding in *Quality King* and instead relied upon dicta. First, the Second Circuit relied on what it believed to be a "key factual difference at work in *Quality King*"—that the copyrighted items had been manufactured in the United States, sold abroad, and made a "roundtrip back." P.A. 17a. However, although Justice Ginsburg's concurring opinion referenced this difference, it was not the basis for the Court's holding. *Id.* P.A. at 43a. Rather, the Court held that the first-sale doctrine applied to imported foreign copies and therefore trumped the importation doctrine entirely. *Quality King*, 523 U.S. at 144-45. The majority opinion did not once mention the place of manufacture in its holding.

The Second Circuit also placed substantial weight on a hypothetical discussed in *Quality King*. In the Court's hypothetical, "a publisher of the United States edition and a publisher of the British edition of the same work [were each given] . . . exclusive United States distribution rights." *Quality King*, 523 U.S. at 148. The Court stated that "presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a) [and therefore] [t]he first sale doctrine would not provide the

publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) . . . ." *Id.* This hypothetical turned into a principal basis for the majority's holding below.

However, the Second Circuit majority twisted the meaning of this Court's hypothetical. The hypothetical presents a distinct situation in which a United States copyright holder licensed its products to both an American distributor and a distributor in Britain. If the British distributor decided to sell its copyrighted goods to consumers in the United States in violation of its contract it would be an infringement under Section 602(a) because the British distributor sold its copyrighted products into the United States before there was a first-sale. Therefore, the copyright holder would be able to sue the British distributor for infringement under Section 602(a). However, if copies sold in Britain were eventually donated to Goodwill in the United States, the first-sale doctrine would bar any infringement suit because the books would have been acquired in the secondary market.

The Second Circuit's overly broad interpretation of the hypothetical in *Quality King* led to the improper conclusion that goods manufactured abroad are never subject to first-sale protection. But in fact, the Court's hypothetical scenario shows that the two Sections can coexist, each having an independent effect and purpose: The first-sale of a good manufactured and purchased abroad protects a purchaser, and a subsequent purchaser, from future copyright infringement liability based upon the *resale* of that good—but does not necessarily insulate the importer from liability for the improper *importation* of that good in violation of Section 602(a)

Under that understanding, the dictum in the hypothetical need not be seen as overriding the Court's holding—that Section 602(a) is expressly limited by the first-sale doctrine, which applies to all goods, regardless of where they are manufactured.

C. Eliminating the First-Sale Doctrine for Goods Manufactured Abroad Would Frustrate the Purpose for Which the Rule Was Created

The decision below is also contrary to the purpose of the Copyright Act, which does not allow the owner of a copyright to control the downstream flow of goods produced abroad. As this Court has noted, "[t]he monopoly privileges" authorized by the Act are not designed to "provide a special private benefit." *Sony Corp. of America* v. *Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). Rather, the "monopoly privileges" are a limited grant aimed at achieving a "public purpose"—"to motivate the creative activity of authors and inventors by the provision of a special reward and to allow the public access to the products of their genius after the limited period of exclusive control has expired." *Id.* For this reason, copyright owners' monopoly privileges are limited and balanced against "society's competing interest in the free flow of ideas, information and commerce." *Id.*

The first-sale doctrine is an embodiment of this important balancing act: It allows copyright holders to receive a benefit for the *initial* copy of this idea or work released into the stream of commerce while allowing the public to benefit from the resale of that idea or work, free from any further influence by the copyright owner. See *Bobbs-Merrill*, 210 U.S. at 350 ("the copyright statutes . . . do not create the right to impose, by notice . . . a limitation at which the book

shall be sold at retail by future purchasers, with whom there is no privity of contract"). Yet under the Second Circuit's holding, as long as a copyrightable product is manufactured abroad, the copyright owner would retain the right to control the price and distribution of that good indefinitely, even if the item is donated to a charity like Goodwill and resold. That fact alone should have given the Second Circuit pause before it shifted the balance of power underpinning our copyright law and undermined four centuries of common law and more than 65 years of statutory authority.

Indeed, the ruling below is contrary to this Court's decision in *Bobbs*-Merrill, which first articulated the first-sale doctrine over a century ago. There, the plaintiff publisher sought to control the cost of the book it produced by printing a notice mandating that it could not be sold for less than $1. *Id.* at 341. Siding with consumers, the Court found that the notice could not be enforced because it violated the very purpose of the copyright law—to balance the limited rights of owners with the promotion of "the progress of science and useful arts" conferred on the public at large. *Id.* at 346, 350-51. Similarly here, the publisher of the textbooks at issue placed a notice in its books requiring that they only be sold abroad. P.A. 5a-6a. In both cases, the publisher put a price restriction on alienation. And the *only* difference between the two cases is that in this case the book was manufactured abroad. *Id.* at P.A. 6a. But as a matter of principle and policy, there simply is no reason why that difference should matter, and the Second Circuit's decision to give that difference dispositive weight should be rejected.

III. The Decision Below Is Wrong as a Matter of Public Policy

Beyond its effect on organizations like Goodwill that sell used goods in the secondary market, the decision below makes no sense as a matter of policy.

A. The Second Circuit's Rule Would Give Copyright Owners New Powers To Divide Markets at the Expense of Charities and Consumers

First, eliminating the first-sale doctrine for goods produced abroad would give copyright owners the power to fix prices in different geographic markets at the expense of charities and consumers. The result would be "a blatantly anticompetitive international system [sponsored by our copyright laws, in which companies] engage in vertical territorial allocations or price discrimination among different countries." Jaime S. Gorelick & Rory K. Little, *The Case for Parallel Importation*, 11 N.C.J. INT'L L. & COMM. REG. 205, 228 (1986).

Indeed, in every case interpreting the application of the first-sale doctrine abroad, the copyright owner was already compensated for each imported copy. See *Quality King*, 523 U.S. at 139; *Sebastian*, 847 F.2d at 1094; *Costco*, 541 F.3d at 984. The copyright owners in those cases were unconcerned with their right to collect a fair price for copyrighted goods. Instead they sought to undermine the first-sale doctrine to "protect[] the integrity of [their] method of marketing," namely, selling goods at much higher prices in United States and at a greatly discounted rates elsewhere. *Quality King*, 523 U.S. at 140. In fact, in all of the recent federal circuit decisions discussing the interaction between the first-sale doctrine and the importation requirement, the

plaintiff was attempting to use copyright law to charge discriminatory prices in the United States. See *Quality King*, 523 U.S. at 139 (The plaintiff's "prices to foreign distributors are 35% to 40% lower than the prices charged to domestic distributors."); *Sebastian*, 847 F.2d at 1094 ("This case comes to us in the guise of an alleged copyright infringement but, in reality, is an attempt by a domestic manufacturer to prevent the importation of its own products by the 'gray market.'"); *Disenos Artisticos*, 97 F.3d at 378 (explaining that the plaintiff's "business strategy in the United States is to market [its products] only to select up-scale retailers").

In essence, copyright owners are turning to copyright law to prevent any form of arbitrage—purchasing goods from one locale where they are cheaper and selling them at a higher price in a locale where the price is inflated. But arbitrage is a natural consequence of price differences that exist in every conceivable market. And absent congressional authorization, it makes no sense to invoke copyright law to eliminate that practice.

To accomplish their goal, copyright owners register small symbols that are not truly means of expression, but are rather tools to prevent low-cost competition from parallel-imported goods manufactured abroad. For example, in *Costco*, the copyright owner placed a small symbol on the back of its foreign-produced watches to prevent parallel importation of the exact same watches it sold for substantially more in the United States. 541 F.3d at 983-984. Similarly, in *Quality King* the plaintiff argued that the existence of the copyrighted label on its hair care products gave it the right to prohibit the importation of its products lawfully purchased abroad. 523 U.S. at 135-136. But copyright owners

should not be allowed to shield their businesses from international trade, using U.S. copyright law to artificially inflate the price of goods. See Jaime S. Gorelick & Rory K. Little, *The Case for Parallel Importation*, 11 N.C.J. INT'L L. & COMM. REG. 205, 205 (1986).

This is exactly the sort of anticompetitive behavior struck down by this Court in *Bobbs-Merrill*. There, the book "The Castaway" contained this notice: "The price of this book at retail is $1 net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright." *Bobbs-Merrill*, 210 U.S. at 341. R. H. Macy & Company purchased copies of the book at a wholesale price to sell for less than a dollar. *Id.* at 341-42. Holding that the right to "vend" did not allow the copyright owner to control distribution indefinitely, the Court made two important findings. *Id.* at 350-51. First, the Court reasoned that "[t]he owner of the copyright in this case [already sold] copies of the book in quantities and at a price satisfactory to it." *Id.* at 351. Second, the Court found that the right to control distribution indefinitely would "extend [the statute's] operation . . . beyond its meaning . . . [and beyond] the legislative intent in its enactment"—to promote progress. *Id.* Price restrictions do not promote progress; instead they impede it. See *United States* v. *Sealy, Inc.*, 388 U.S. 350, 355-56 (1967) (agreements to divide markets and fix prices are *per se* illegal).

In stark contrast, the secondary market provides a $40 to $60 billion benefit to consumers, allowing them to buy used goods at lower prices. See Romana Autry & Francisco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School

Accounting & Mgmt. Unit Working Paper No. 09-098, at 1 (Oct. 2009). Moreover, interpreting the copyright law to allow owners to control the distribution of foreign-made goods indefinitely would devastate the secondary market because every resale would require the consent of the copyright owner. Allowing price discrimination to flourish while denying consumers a functional secondary market is so irrational that it could not possibly be what Congress intended. See *Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994).

B. The Second Circuit's Rule Would Create a Perverse and Unintended Incentive To Manufacture Goods outside the United States

Applying the first-sale doctrine only to domestically produced goods would also result in foreign manufactured goods having greater copyright protection than goods manufactured in the United States. This is because the copyright holder would retain control over the importation, distribution, and the price at which foreign-made goods are sold, even after they are imported and lawfully purchased in the United States. Consequently, the rule adopted by the Second Circuit financially incentivizes copyright owners to outsource all of their manufacturing operations. See P.A. 28a n.44. As the Ninth Circuit has explained, "such a result would be untenable, and that nothing in the legislative history or text of § 602 supports such an interpretation." *Parfums Givenchy*, 38 F.3d at 482 n.8.

At a time when U.S. unemployment rates are already high, instigating a mass exodus of manufacturing jobs (along with the associated tax

and business revenue that would be lost) could not be what Congress intended by passing a statutory first-sale protection. Such a result would have extreme and devastating economic and societal effects, even as it impedes Goodwill's ability to put Americans to work.

CONCLUSION

Like many other charitable organizations, Goodwill depends on the donation and sale of secondhand goods to help provide jobs and achieve its mission. Abolishing the first-sale doctrine for all goods produced abroad would fundamentally frustrate and undermine Goodwill's mission and harm the futures of millions of people that Goodwill helps every year. The first-sale doctrine has balanced copyright owners' limited rights with the interests of the public, charities, and businesses for over a century. It is the legal cornerstone of the secondary market and an economic necessity in the modern age. Inserting a domestic manufacturing requirement into the first-sale doctrine is contrary to the history, spirit, and plain language of the Copyright Act, and it should be rejected.

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July 2012

AMICUS CURIAE BRIEF

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF OF *AMICUS CURIAE* PROFESSOR HUGH C. HANSEN IN SUPPORT OF RESPONDENT

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INTEREST OF AMICUS CURIAE[1]

Amicus is a professor of law who has been teaching, researching and writing on intellectual property law subjects at the Fordham University School of Law for over thirty years. He is the founder and director of the Fordham Intellectual Property Law Institute and the Fordham Annual Conference on Intellectual Property Law and Policy, now in its twenty-first year. *Amicus* has an interest in assisting the Court by discussing the policy and historical contexts of the case.[2]

SUMMARY OF ARGUMENT

I. The first sale doctrine does not apply to first sales outside of the United States. From its statutory-construction origin in this Court until the Copyright Act of 1976, there has been no indication in legislative history, case law or contemporaneous legal literature that the doctrine was or should be applied to foreign first sales. The term "international exhaustion" was coined because of the need to name a doctrine that did apply to foreign first sales. It would be superfluous if the first sale

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[1] The parties have consented to the filing of this brief. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amicus* or his counsel, made a monetary contribution to the preparation or submission of this brief.

[2] *Amicus* files this brief in his individual capacity, and not as a representative of the Fordham University School of Law.

doctrine also applied to such sales. The doctrine originated from this Court's construction of a copyright owner's U.S. right to "vend." This origin dictated that it would not apply to foreign sales where there was no right to vend, but a common-law approach would produce the same result. The doctrine was not meant to deprive the copyright owner of the initial proceeds of a sale in the U.S. It was meant to allow for the free alienation of property after that first sale.

II. *Amici Curiae* in support of Petitioner are rightly concerned about possible adverse effects of the Court's ruling on Section 602(a). But their fears are unwarranted. For instance, the possibility of having goods in their possession which violate an import prohibition has existed continuously since 1790. Sometimes they were as many as three in place at the same time. Moreover, the same fears that these prohibitions trigger can be equally or more greatly triggered by other laws such as money laundering, counterfeiting or even just criminal laws. In fact, even copyright law or property laws could trigger them. The fact that these other laws do not trigger them should reassure *Amici* that they need not worry about § 602(a). In any case, § 602(a) has been in effect and enforced consistently as an import restriction by the courts for over 30 years. Fears based upon hypothetical problems with regard to it should not cause concern when they have not come to

pass for 30 years, let alone for the last hundred years of U.S. import restrictions.

III. The intent behind Congress' passage of 17 U.S.C. § 602(a) was to prevent unauthorized importation of copies of copyrighted works first sold or licensed abroad. Section 109(a) was not intended to negate that protection. The rules of statutory interpretation are important and useful and lead to the above conclusion. But sometimes they make it difficult to see the forest for the trees. It might be helpful to look at other aspects of the picture. Congress in enacting the Copyright Act of 1976 was proactive in expanding copyright protection. The legislative history shows no conflict about the purpose of § 602(a). The subsequent years show that the courts easily adopted the rule that § 602(a) prohibits imports of copies first sold abroad and that § 109(a) does not apply to sales outside the United States. Finally, Congress, which amended the Act over 50 times, never considered amending § 602(a) on the basis that the courts had gotten Congress' intent wrong.

IV. Petitioner's position in this matter is anticompetitive and at odds with antitrust policy. In antitrust terminology, an import ban such as that found in 17 U.S.C. § 602(a) is a vertical restraint – a territorial vertical restraint. It restricts buyers of the copyrighted products abroad from selling inside the U.S. without the copyright owner's permission.

Such restrictions favor interbrand competition but may limit intrabrand competition.

At one time this Court treated such vertical territorial restrictions as per se illegal. Since 1977 the Court has applied the rule of reason largely because "[v]ertical restrictions promote interbrand competition by allowing the manufacturer to achieve certain efficiencies in the distribution of his products. These 'redeeming virtues' are implicit in every decision sustaining vertical restrictions under the rule of reason."

Because of the benefits to competition, most of the rule-of-reason decisions have found nonprice vertical restraints legal under the Sherman Act. Whatever one thinks about some vertical restraints, such as resale price maintenance, there is little doubt that territorial vertical restraints are pro-competitive.

In effect, Petitioner is asking this Court to declare the territorial vertical restraint in § 602(a) per se illegal. This would adversely affect many U.S. businesses that sell overseas and limit interbrand competition.

ARGUMENT

I. THE FIRST SALE DOCTRINE DOES NOT APPLY TO SALES OUTSIDE THE UNITED STATES.

The first sale doctrine derived not from the common law, but from statutory construction by this

Court of the "the sole right of vending the [work]" under U.S. copyright law.[3] While the Court was not oblivious to the common law and mentioned common law copyright, the common law was not the basis for the Court's approach to "vend." It chose instead to apply traditional statutory interpretation. It stated:

> To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.[4]

The statutory origin of the first sale doctrine also helps to explain why it did not apply to sales outside the United States. A copyright owner had no right to vend outside of the U.S. *See* discussion of "territoriality" in § 2, infra. So a lawyer, judge or legislator would not naturally conclude that a construction of "vend" would apply to sales outside the United States.

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[3] *See* Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 349 (1908) ("What does the statute mean in granting 'the sole right of vending the same?'").

[4] *Id.* at 351.

Even a common-law created first sale doctrine would not apply to sales outside of the United States. As a doctrinal matter, copyright owners selling abroad under foreign law would not exhaust their right to vend under U.S. law.

As a matter of policy, excluding sales outside of the United States also makes sense. The doctrine was not meant to deprive the copyright owner of the initial proceeds of a sale in the U.S. It was meant to allow for the free alienation of property after that first sale.[5]

The term "international exhaustion"[6] was coined because of the need to name a doctrine that did apply

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[5] *See* R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577, 580 (2003) ("This first sale doctrine has generally been viewed as a recognition in copyright of the law's historic disfavor of restraints on the alienation of personal property.").

[6] Frederick M. Abbot, *Parallel Importation: Economic and Social Welfare Dimensions*, International Institute for Sustainable Development, p.5 (2007).

> There are three distinct geographic concepts of exhaustion and parallel importation: national, regional and international. Under a "national" exhaustion policy, the IP holder's right to exclude is only extinguished when the good or service is put onto the market in the national territory. There are no "parallel imports" permitted. Under a "regional" exhaustion policy, the IP holder's right is extinguished when a good or service is put onto the market within any country of a defined region, such as the European Union. "Parallel imports" are permitted, but only with respect to goods first

to foreign first sales. It would be superfluous if the first sale doctrine also applied to such sales.

In the EU, "Community" exhaustion does not encompass sales outside the EU. The EU has Community exhaustion but not international exhaustion. *See Silhouette International Schmied GmbH & Co. KG v. Hartlauer Handelsgesellschaft mbH*, C-355/96, [1981] E.C.R. 1-4799, [1988] 2 C.M.L.R. 953.

At the time of the Copyright Act of 1976, no one thought that the first sale doctrine applied to sales outside of the U.S. This might explain why Petitioner and *Amici* in support do not cite any case, article or legislative history contemporaneous with or prior to the 1976 Copyright Act that states their view that the first sale doctrine applies to sales outside the U.S.

II. THERE HAVE BEEN CONTINUOUS STATUTORY AND NON-STATUTORY IMPORT PROHIBITIONS SINCE 1790 WITHOUT PRODUCING THE HARMS

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placed on the market within the regional territory. Under an "international" exhaustion policy, the IPR holder's right is extinguished when a good or service is put onto the market anywhere in the world. "Parallel imports" are permitted with respect to goods or services lawfully first placed on the market anywhere in the world.

CLAIMED BY PETITIONER AND *AMICI CURIAE.*

Petitioner and *Amici* in support set forth a plethora of possible harms that will result if the Court does not reverse the Second Circuit's decision. Yet ironically, the environment that they predict has been in place for many years, and it is one in which people and organizations like them have been living in without apparent negative consequences.

Section 602(a) of the Copyright Act of 1976 is not a departure from past law prohibiting importation of copies of copyrighted works. Rather, it represents what has been the normal environment for those who seek to import without authorization. Statutory restrictions and the principle of territoriality have long been in place to achieve at least the same results as § 602(a).

A. Statutory importation restrictions

There were statutory import restrictions in the Statute of Anne,[7] the U.S. Copyright Act of 1790,[8]

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[7] Statute of Anne (Act for the Encouragement of Learning), § 2, 8 Ann., c. 19, (1710) (Gr. Brit.):

> That if any other bookseller, printer or other person whatsoever, from and after the tenth day of April, one thousand seven hundred and ten, within the times granted and limited by this act, as aforesaid, shall . . . import, or cause to be . . . imported, any such book or books, without the consent of the proprietor or

and the Copyright Act of 1909.[9] At every point since 1790 there has been some form of comparable statutory restriction in place and for a period of years around 1900 and 1976, two such restrictions overlapped.

The restrictions in the Statue of Anne and the Copyright Act of 1790 were strong and would have barred Petitioner and his business from operating in Great Britain and the U.S. The Copyright Act of 1909 did not have a "complete" prohibition against importing copies of a protected work. It prohibited "piratical" copies of books and periodicals but not others that were authorized to be sold abroad by the copyright owner.

However, there was a non-copyright prohibition against importation, the so-called "manufacturing

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> proprietors thereof . . . then such offender or offenders shall forfeit such [and be subject to statutory damages].

[8] Copyright Act of 1790, § 2, 1 Stat. 24:

> [I]f any other person or persons [than the copyright owner] . . . shall . . . import, or cause to be . . . imported from any foreign Kingdom or State, any copy or copies of such map, chart, book or books, without the consent of the author or proprietor thereof . . . or knowing the same to be so . . . imported, shall publish, sell, or expose to sale, or cause to be published, sold or exposed to sale . . . [shall forfeit and be liable for statutory damages].

[9] Copyright Act of 1909, §§ 30, 31, Pub. L. No. 60-349, 35 Stat. 1075 (repealed 1976).

clause," that prohibited importation of books and periodicals in English that were not printed and manufactured in the United States. This was introduced in 1891,[10] when the U.S. first provided copyright protection for foreign works, and was carried over into the Copyright Act of 1909.[11]

The bar on the importation of works manufactured abroad was not enforced by copyright owners, but rather by the Customs Service at the behest of the U.S. printing industry. It thus was capable of being a much more "complete" bar to importation than "classic" import restrictions in the Statute of Anne and the Copyright Act of 1790. Yet, even though the manufacturing clause hindered U.S. authors' ability to use foreign publishers for both domestic and foreign markets, the benefits to the printing industry carried the day in Congress and the clause survived until 1986. While the clause was somewhat watered down in 1954 and was

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[10] Act of Mar. 3, 1891, ch. 565, § 4956, 26 Stat. 1106, 1107. For further information on the history of the manufacturing clause, see Annette V. Tucker, *The Validity of the Manufacturing Clause of the United States Copyright Code As Challenged by Trade Partners and Copyright Owners*, 18 VAND. J. TRANSNAT'L L. 577, 580-82 (1985).

[11] Copyright Act of 1909, § 15, Pub. L. No. 60-349, 35 Stat. 1075 (repealed 1976).

significantly so by 1986, the negative effects on importation were still significant.[12]

Under the various manifestations of the manufacturing clause from 1891 through 1986, there was little or no opportunity to legally import books for normal industry distribution, let alone for arbitrage. In short, because the effective blocking mechanism of the printing industry and the Customs Service, the situation is significantly more favorable for importers under the Second Circuit's interpretation of § 602(a) and copyright owner enforcement than it had been for over 90 years.

B. Territoriality and infringement actions against importers.

Intellectual property law, including copyright law, is territorial in nature.[13] There are no international copyrights, patents or trademarks. A work is protected only to the extent that it is

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[12] *Amending the Requirements of the Manufacturing Clause of the Copyright Law: Hearing on S. 1822 Before the S. Comm. on Finance*, 99th Cong. 15-16 (1986) (description of S. 1822 by committee staff). Then the "European Communities (EC)" estimated its trade loss due to the manufacturing clause at between $300-$500 million. *Id.* at 19.

[13] *See* P. Goldstein, *Copyright* § 16.0, pp. 16:1-16-2 (2d ed.1998) ("Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders.")

protected by the laws of the country in which protection is sought.[14]

Thus, a nation's intellectual property laws have no effect outside of that country. An IP owner may bring an infringement action against an importer whose importation has not been authorized for that country. If copies of a work are sold in Thailand, this does not mean that those copies can be imported into the United States.

This Court recognized this regime as early as 1890 with regard to patents.[15] *See Boesch v. Graff*, 133 U.S, 697, 703 ("The right which [the German seller] had to make and sell the burners in Germany was allowed him under the laws of that country, and purchasers from him could not be thereby authorized to sell the articles in the United States in defiance of the rights or patentees under a United States patent"). Justice Holmes applied the rule in *Boesch* to trademarks. *A Bourjois & Co. v. Katzel*, 260 U.S. 689, 692 (1923) ("Ownership of the goods does not . . . necessarily carry the right to sell them at all in a given place. If the goods were patented in the United

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[14] *See* Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 MICH. J. INT'L L. 799, 804 ("[P]rotection of a copyrighted work exists independently in each country according to that country's grant of rights; protection under one country's copyright laws does not automatically result in the same protection outside that country's territory.").

States a dealer who lawfully bought similar goods abroad from one who had a right to make and sell them there could not sell them in the United States.").

This principle of territoriality is recognized worldwide. The Berne Convention provides that copyright protection "shall be governed exclusively by the laws of the country where protection is claimed." Berne Convention for the Protection of Literary and Artistic Works, Art. 5(2) (1886).

Thus, even if § 602(a) did not exist, Respondent could still have sued the Petitioner for infringement.

C. The threat of hypothetical harms to *Amici Curiae* in support of Petitioner has always existed.

These *Amici* are leaders in our copyright, business and cultural communities and have made significant contributions to them. Their fears are sincere. Moreover, it is the duty of their lawyers to examine and advise on possible adverse consequences. But these fears are unnecessary. There have always been legal threats and uncertainties of the kind that concern *Amici* now and so far they apparently have not come to fruition.

There were at least two sources of hypothetical legal threats at all times in the copyright environment: (1) books (and later other copies of copyrighted works) could have slipped through an import prohibition (either copyright or

manufacturing clause); and (2) copies of copyrighted works brought into this country without authorization could have been the subject of an infringement action under the principles of territoriality. And willful infringement could be the subject of a criminal action. Sometimes there were three legal sources of concern when the copyright prohibition and the manufacturing clause overlapped around the 1890s and for eight years after the Copyright Act of 1976 took effect in1978.

There are other laws that can produce the same anxiety: anti-counterfeiting, money laundering and criminal law, for instance. For that matter copyright law, itself, could produce similar uncertainties and even property law could do so.

Moreover, § 602(a) itself has been in effect and enforced in the manner the Second Circuit determined to be appropriate for over 30 years. Hypothetical problems should not cause concern when they have not come to pass for 30 years, let alone for the last hundred years of U.S. import restrictions.

III. CONGRESSIONAL INTENT WITH REGARD TO § 602(A) IS CLEAR.

Rules of statutory interpretation are necessary and helpful. For reasons stated in Respondent's brief, pp. 14-35, these rules correctly lead to the conclusion that § 602(a) does prevent unauthorized importations of copies of works manufactured and

sold abroad by the copyright owner, and § 109(a) does not impede the copyright owners' ability to do so.

Sometimes, however, rules of statutory interpretation rules can lead to a situation where one gets so deeply involved with individual words and phrases that it is difficult to see the forest for the trees. To prevent this, it might be helpful to look at other aspects of the picture.

Congress. The Congress that enacted § 602 did not have doubts about the value of copyright nor was it seeking ways to cut back its protection. In the Copyright Act of 1976 it increased and expanded protection in subject matter and rights by adding pantomimes and choreographic works to the subject matter of copyright, 17 U.S.C. § 102(b), and "public display" to rights, 17 U.S.C. § 106. It created "divisibility of copyright ownership", 17 U.S.C. § 201(d) ("transfer of ownership"), which greatly increased the value of copyrights and their efficient exploitation. It created the legal fiction of "fixation" for live broadcasts, giving them federal copyright protection for the first time. 17 U.S.C. § 101 ("fixation"). It increased the amount of statutory damages. 17 U.S.C. § 504. It also extended the term of copyright from 28 years plus a renewal for an additional 28 to a certain term of life plus 50 years. 17 U.S.C. § 304.

Also, as in the past these increases and additions did not just apply prospectively but rather they applied to all works currently under copyright protection. Moreover, Barbara Ringer, the Register of Copyrights, stated that in the end the law came "down on the authors' and creators' side in almost every instance." *Righting Copyright*, TIME, Nov. 1, 1976, at 92.

Legislative history. The House Report, which is the authoritative congressional report,[16] states "Section 109(a) restates and confirms the principle[s] [of the first sale doctrine] . . . established by the court decisions and section 27 of the [1909 Act]." H. R. No. 94-1476, 79 (1976). Thus, there was no attempt to change the first sale doctrine as it existed, enlarge it or internationalize it. There is no mention of § 109(a) as relating to foreign sales or as having any effect on copies imported into the United States. There is no mention that § 109(a) was in any way connected to § 602(a).

The Report also indicates some congressional support for copyright owners with regard to § 109(a). It disagreed with a recent district court decision holding that a copyright owner had the burden of establishing that the allegedly infringing copies in the defendant's possession were not derived from a first sale. *American International Pictures, Inc. v.*

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[16] The House took the laboring oar in the revision of the Copyright Act and its report is more complete. The Senate Report does not conflict with the House Report.

Foreman, 400 F. Supp. 928, 933-34 (S.D. Ala. 1975). It stated: the "Committee believes that the court's decision, if followed, would place a virtually impossible burden on copyright owners." It concluded:

> It is the intent of the Committee, therefore, that in an action to determine whether a defendant is entitled to the privilege established by section 109 (a) and (b), the burden of proving whether a particular copy was lawfully made or acquired should rest on the defendant.

House Report at 80-81.

For Section 602, the House Report states:

> [This section] deals with two separate situations: importation of "piratical" articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. The general approach of section 602 is to make unauthorized importation an act of infringement in both cases, but to permit the United States Customs Service to prohibit importation only of "piratical" articles.

Id. at 169.

Later it adds:

> The second situation covered by section 602 is that where the copies or phonorecords were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights. As already said, the mere act of importation in this situation would constitute an act of infringement and could be enjoined.

Id. at 170.

Thus, the intent of Congress is very straightforward. It does not appear that the Committee was aware of any problems with proving infringement, i.e., the minefield that Petitioner says exists for the copyright owners. This section on § 602 does not make any mention of § 109(a).

Subsequent events.

For the over 30 years of post-enactment litigation that involved § 602, courts have also been unaware of statutory interpretation difficulties on the issue of infringement. They have consistently found infringements and rejected defenses involving 109(a) when the copies of copyrighted works were manufactured and sold outside the United States. *See, e.g., Pearson Educ. Inc. v Liao*, 2008 WL2073491 *3 (S.D.N.Y. 2008); *Swatch S.A. v. New City, Inc.*, 454 F. Supp.2d 1245, 1254-55 (S.D. Fla. 2006); *BMG*

Music v. Perez, 952 F.2d 318, 319 (9th Cir. 1991); *T.B. Harms Co. v. Jem Records, Inc.*, 655 F.Supp. 1575, 1583 (D.N.J. 1987); *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F.Supp. 47, 49 (D.Pa. 1983).

Not surprisingly, although Congress has amended the 1976 Act over 50 times, it has not sought to step in and change this consistent judicial interpretation.

IV. PETITIONER'S POSITION ON § 602(A) IS ANTICOMPETITIVE AND AT ODDS WITH ANTITRUST POLICY.

In antitrust terminology, an import ban such as that found in 17 U.S.C. § 602(a) is a vertical restraint – a territorial vertical restraint. It restricts buyers of the copyrighted products abroad from selling inside the U.S. without the copyright owner's permission. Such restrictions favor interbrand competition but may limit intrabrand competition.

Since *Continental T. V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36 (1977), the Court has moved away from viewing vertical restraints as per se illegal and instead requires a rule of reason approach. Justice Powell in *GTE Sylvania*, writing for the Court, noted that "[v]ertical restrictions promote interbrand competition by allowing the manufacturer to achieve certain efficiencies in the distribution of his products.

These 'redeeming virtues' are implicit in every decision sustaining vertical restrictions under the rule of reason."[17] Moreover, as Justice Ginsburg has stated, "[i]nterbrand competition, our opinions affirm, is the 'primary concern of antitrust law.'" *Volvo Trucks North America, Inc. v. Reeder-Simco GMC, Inc.*, 546 U.S. 164, 180 (2006). Judge Posner has found that while there are theoretical reasons why vertical restraints have anticompetitive

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[17] Justice Powell went on to note:

> Economists have identified a number of ways in which manufacturers can use such restrictions to compete more effectively. For example, new manufacturers and manufacturers entering new markets can use the restrictions in order to induce competent and aggressive retailers to make the kind of investment of capital and labor that is often required in the distribution of products unknown to the consumer. Established manufacturers can use them to induce retailers to engage in promotional activities or to provide service and repair facilities necessary to the efficient marketing of their products. Service and repair are vital for many products, such as automobiles and major household appliances. The availability and quality of such services affect a manufacturer's goodwill and the competitiveness of his product. Because of market imperfections such as the so-called "free-rider" effect, these services might not be provided by retailers in a purely competitive situation, despite the fact that each retailer's benefit would be greater if all provided the services than if none did.

433 U.S. at 54-55.

consequences, they exist only in a small minority of cases. And even then, "there invariably are multiple possible economic reasons to justify a challenged practice."[18]

Because of the benefits to competition, most of the rule-of-reason decisions have found nonprice vertical restraints legal under the Sherman Act.[19] Whatever one thinks about some vertical restraints, such as resale price maintenance, there is little doubt that territorial vertical restraints are pro-competitive.[20]

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[18] Richard A. Posner, "Vertical Restraints and Antitrust Policy," 72 U. CHI. L. REV. 229, 241 (2005). Judge Posner adds: "Another reason to question the appropriateness of aggressive enforcement action against vertical restraints is that, as I have stressed, they are effective exclusionary practices only in situations of fragile monopoly. And in such situations market forces may work as fast as or faster than antitrust litigation to destroy monopoly."

[19] *See* HERBERT HOVENKAMP, MARK D. JANIS, MARK A. LEMLEY, & CHRISTOPHER R. LESLIE, IP & ANTITRUST §24.2 (2010) (citations omitted) ("Since 1977, vertical nonprice restraints have been evaluated under the rule of reason, and nearly all of them have been approved. Such restraints are generally thought to be procompetitive because (1) they affect only the supplier's own brand or product, and a supplier cannot generally profit by decreasing the competitiveness of its downstream resellers; and (2) the supplier has significant interests that can be addressed by such restraints.").

[20] *See* Alan H. Silberman, *The Evolving Face of Vertical Restraints*, 1738 PLI/CORP 531 (2009).

> While a reduction in intrabrand competition (and even total elimination of intrabrand competition) may result from a manufacturer's

Petitioner is, in effect, asking the court to declare the territorial, vertical restrain in § 602(a) per se illegal. This would adversely affect many businesses that sell overseas and limit interbrand competition.

CONCLUSION

For the foregoing reasons, *amicus* respectfully urges the Court to affirm the decision of the Second Circuit.

Respectfully submitted,

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> decision to employ a restricted distribution system -- as, for example, where each distributor has an exclusive area in which no other distributor is selected -- that result has not been characterized as an unreasonable restraint of trade.

Id. at 589.

AMICUS CURIAE BRIEF

RECORD AND BRIEFS

No. 11-697

Supreme Court, U.S.
FILED
JUL 9 - 2012
OFFICE OF THE CLE

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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INTEREST OF *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.[1] IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and government entities and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The IPO Board of Directors approved the filing of this brief. A list of IPO board members can be found in the Appendix.[2]

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1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae*, or its counsel made a monetary contribution to its preparation or submission. Respondent consented to the filing of this brief through a letter submitted to the Court on June 18, 2012. *Amicus curiae* requested consent to file this brief from petitioner on June 28, 2012. Petitioner consented to this brief through a letter to IPO on July 6, 2012.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

INTRODUCTION

This case presents the important question of whether the "first-sale doctrine," as codified in section 109(a) of the Copyright Act of 1976 (the "Act"), which permits the owner of a copy of a work that is "lawfully made under this title" to sell that copy without the permission of the copyright owner, creates a broad exception to the right afforded under section 602(a) of the Act to treat the unauthorized importation of copies acquired outside of the United States as an act of infringement.

This Court previously considered the applicability of section 109(a) of the Act to works made and initially sold outside of the United States in *Costco Wholesale Corp. v. Omega S.A.*, 130 S. Ct. 2089 (2010). Although the questions posed by this case are similar, this case is different from *Costco* in at least two respects: (a) unlike *Costco*, in which the watches at issue were made and sold by the same entity which owned the U.S. copyright, the books in this case were made and sold by Wiley Asia, a different, albeit related, entity which had no rights whatsoever under the U.S. Copyright; and (b) in *Costco*, the copyrighted work consisted of a small engraving on the back of Omega's unpatented watches that was apparently intended for the sole purpose of preventing their unauthorized importation and had no independent value, whereas in this case the primary value of the books at issue was their copyrighted content.[3]

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3. Indeed, upon remand, the district court dismissed the *Costco* case on the ground that the plaintiff had misused its copyright. See, *Omega S.A. v. Costco Wholesale Corp.*, no. CV-04-05443, slip op. (Nov. 9, 2011).

SUMMARY OF ARGUMENT

IPO urges this Court to affirm the Second Circuit's decision on at least three grounds:

A. The statutory language of the Copyright Act, its legislative history and the prior decision of this Court in *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998) all support the conclusion that section 109(a) is limited in its effect to copies that are manufactured in the United States and that the unauthorized importation of the books into the United States was an infringing act under section 602(a) of the Act.

B. The underlying rationale behind the "first-sale doctrine," as established by this Court in *Bobbs-Merrill Co., v. Straus*, 210 U.S. 339 (1909), has no applicability here since U.S. copyright law has no extra-territorial effect and Wiley has never exercised any of its exclusive rights under the U.S. Copyright Act with respect to the books at issue in this case.

C. A contrary result would disrupt the long established business practices of copyright-based industries and discourage the widespread dissemination of copyrighted educational materials in developing nations.

ARGUMENT

A. Section 109(a) of the Copyright Act Applies Only to Copies of Copyrighted Works That are Manufactured in the United States

Section 602(a)(1) of the Copyright Act provides, with very limited and specific express exceptions, that the importation, without the authority of the "owner of the copyright under this title," of any copies of a work acquired outside the United States is an infringement of the copyright owner's distribution right. Section 109(a) of the Act, on the other hand, provides that the owner of a copy of a work that is "lawfully made under this title" is free to sell or dispose of "that copy" without the permission of the copyright owner. The petitioner argues that the effect of section 109(a) is to create a broad exception to section 602(a)(1) that would permit the importation and resale for profit of unlimited copies of works acquired abroad without the permission of the U.S. copyright owner, so long as they were initially made and sold under the conditions that would have been lawful had those events occurred in this country. IPO believes that neither the language of the statute, its legislative history nor the prior decision of this court in the *Quality King* case supports such a result.

1. The express language of section 109(a) limits its applicability to copies made in the United States

On their face, sections 109(a) and 602(a)(1) of the Copyright Act appear to be entirely consistent and independent of each other. Section 109(a) limits the right of copyright owners to prevent the resale of copies of works where the copies were "lawfully made under this title":

> Notwithstanding the provisions of Section 106(3), the owner of a particular copy or phonorecord *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright owner, *to sell or otherwise dispose of the possession of that copy or phonorecord.*

17 U.S.C. 109(a) (emphasis added).

On the other hand, Section 602(a) expressly provides that it is an act of infringement to import copies of a work that were acquired outside of the United States without the authority of the copyright owner "under this title:"

> (1) Importation into the United States, without the authority of the owner of copyright *under this title*, of copies or phonorecords of a work that *have been acquired outside the United States* is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

17 U.S.C. 602(a)(1) (emphasis added).

It has long been established that the Copyright Act has no application outside the United States. *See, e.g. United Dictionary Co. v. C. Merriam Co.*, 208 U.S. 260, 264 (1908) (holding that authorizing the publication of a work in England without the notice required by U.S. law did not affect the U.S. copyright); *Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application."). *See also* P. Goldstein, *Copyright* §16.0, pp. 16:1-16:2 (2d ed. 1998) ("Copyright

protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders.").

The plain meaning of the words "under this title," is that they refer to Title 17 of the United States Code - the title in which they appear. As a result, section 109(a) has no applicability to copies, such as the books in this case, that were manufactured outside of the United States – *i.e.*, not "under this title." By importing and selling those books, Kirtsaeng has infringed Wiley's exclusive distribution rights under section 602(a)(1), which prohibits their unauthorized importation, as well as section 106(3), which prohibits their sale.

In order to fit this case within the statutory language of section 109(a), petitioner is constrained to argue that the term "lawfully made under this title" really means "would have been lawfully made if it were made under this title." However, as demonstrated by the other provisions of section 602 of the Act, if that is what Congress meant, it would have said precisely that. Thus, for example, section 602(a)(2) prohibits the importation and exportation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright *if this title were applicable*" (emphasis added.) Similarly, section 602(b) permits the seizure by U.S. Customs and Border Protection of copies whose making "would have constituted an infringement of copyright *if this title were applicable*" (emphasis added), but not of copies that were otherwise "lawfully made." Thus, Congress was perfectly capable of making, and did in fact make, a clear distinction between copies that were lawfully made "under this title" and those that would have infringed "if this title were applicable."

The conclusion that section 109(a) of the Act was not intended to create a broad, *implicit* exception to section 602(a)(1) is further buttressed by the limitations Congress has placed on the three *express* exceptions that are set forth in section 602(a)(3). Section 602(a)(3) permits importation of (a) copies for the use of governmental bodies *other than schools* (17 U.S.C. §602(a)(3)(A)); (b) a single copy for the private use of a person arriving in the United States and "forming part of such person's personal baggage"(17 U.S.C. §602(a)(3)(B)); and (c) a single copy for use by an organization "operated for scholarly, educational or religious purposes and not for personal gain" and no more than five copies for its "library lending and archival purposes." (17 U.S.C. §602(a)(3)(C)).

The argument espoused by petitioner in this case would create an implied exception to section 602(a) that is far broader than the express limitations enumerated in the section and would effectively eliminate the very specific limitations on those exceptions that Congress imposed. For example, it would permit school systems to buy an unlimited number of foreign versions of the textbooks for by their students, despite the limitation of section 602(a)(3)(A) and, most importantly, it would permit the broad importation of unlimited copies by any one at all for commercial resale, despite the effort of Congress to limit private importation to a single copy carried by travelers for their personal use and by educational or religious institutions for use without personal gain. *See* §602(a)(3)(B). Indeed, the proposed exception is so broad that the rights afforded under section 602(a)(1), and its carefully drawn exceptions, would be reduced to the exclusion of little more than "piratical copies." See, *Quality King*, 523 U.S. at 146-7.

2. The legislative history of the Act demonstrates that Congress intended to permit U.S. owners to prevent the importation of works acquired outside the U.S. even if they were otherwise "lawfully made."

A review of the legislative history of section 602 provides further support for the view that Congress intended subsection 602(a)(1) to apply to *all* works acquired abroad, even if "lawfully made," and that it was only subsection 602(b), which permits seizure by customs, that was to be limited to works that would have been "lawfully made" had they been made in the United States:

> Section 602 deals with two separate situations: importation of "piratical" articles (that is, copies or phonorecords made without any authorization of the copyright owner), *and unauthorized importation of copies or phonorecords that were lawfully made.* The general approach of section 602 is to make unauthorized importation an act of infringement *in both* cases, but to permit the Bureau of Customs to prohibit importation only of "piratical" articles.

(Joint statement by both houses of Congress: H.R. Rep. No. 1476, 94th Cong., 2d Sess. 169 (1976), reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5785 and S. Rep. No. 473, 94th Cong., 1st Sess. 151 (1975), hereinafter referred to as the "Joint Report." (Emphasis added.)) Indeed, after re-stating the "general rule [of section 602(a)] that unauthorized importation is an infringement merely if the copies or phonorecords 'have been acquired abroad,' and then enumerating the three exemptions to that rule, the Joint Report concludes:

> If none of the three exemptions applies, *any* unauthorized importer of copies of phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken place.

Id. (emphasis added).

Subsection 602(a)(2), which was enacted in 2008,[4] further perpetuates this distinction by adding the unauthorized *exportation* of works to the acts of infringement under section 602(a), but which, unlike section 602(a)(1), limits its scope to copies that "either constituted an infringement of copyright or which would have constituted an infringement of copyright if this title had been applicable." The legislative history of that section confirms that, unlike section 602(a)(1), the scope of the provision was intended to be limited to "counterfeit or pirated goods." (H.R. Rep. No. 617, 110th Cong., 2nd Sess. 25 (2008).

3. The Second Circuit's holding is in accord with *Quality King* and other judicial authorities

As noted above, section 109(a) of the Act is limited by its terms to copies made "under this title," while section 602(a) broadly prohibits the importation of works that were "acquired outside the United States." In cases such as the present, where the copies involved were both made and acquired by the importer outside the United States,

---

4. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. 110-403, Sec. 1(a), 122 Stat. 4256 (2008).

there is no overlap between those sections. However, it is possible for copies of a work to be made lawfully in this country, exported, purchased abroad and reimported to this country. That was the situation that arose in in *Quality King*, and the Court held, under those facts, that section 109(a) would apply and that the owner of the copies was free to import and sell them in the United States without the authority of the copyright owner.

In reaching that result, however, the opinion makes it quite clear that the Court would have reached a different result had the copies involved not been made in the United States. Specifically, in response to the argument advanced by L'Anza that applying the first sale doctrine would render section 602(a) superfluous, Justice Stevens' opinion for the Court points to three instances where the section still applies:

> First, even if § 602(a) did apply only to piratical copies, it at least would provide the copyright holder with a private remedy against the importer, whereas the enforcement of § 602(b) is vested in the Customs Service. Second, because the protection afforded by §109(a) is available only to the "owner" of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful. *Third, § 602(a) applies to a category of copies that are neither piratical nor "lawfully made under this title." That category encompasses copies that were "lawfully made" not under*

> *the United States Copyright Act, but instead, under the law of some other country.*

523 U.S. 146-7 (emphasis added and footnotes omitted).

Similarly, in its discussion of the potential adverse effect on the publishing industry (a matter of particular concern to IPO), the opinion once again emphasizes that, even if lawfully made under the law of other countries, copies acquired abroad would not qualify for application of the first sale doctrine:

> Even in the absence of a market allocation agreement between, for example, a publisher of the U.S. edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive U.S. distribution rights -- enforceable under the Act -- to the publisher of the U.S. edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably *only those made by the publisher of the U.S. edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under §602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).*

Id. (emphasis added and footnotes omitted).

Finally, the opinion's statement in response to the argument that application of the first sale doctrine to section 602(a) would make the exceptions to section 602(a) superfluous resolves any conceivable doubt on the point:

> The argument that the statutory exceptions to § 602(a) are superfluous if the first sale doctrine is applicable rests on the assumption that the coverage of that section is co-extensive with the coverage of §109(a). But since it is, in fact, broader because it encompasses copies that are not subject to the first sale doctrine -- *e.g., copies that are lawfully made under the law of another country* -- the exceptions do protect the traveler who may have made an isolated purchase of a copy of a work that could not be imported in bulk for purposes of resale.

523 U.S. at 148 (emphasis added).

In her concurring opinion in *Quality King*, Justice Ginsburg also emphasized that the Court's holding was limited to the facts presented in that case, where the copies were made in the United States and exported by the copyright owner, and that it does not apply to copies that were neither made nor first sold in the United States:

> This case involves a "round trip" journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad.

523 U.S. at 154 (*citing* W. Patry, *Copyright Law and Practice* 166-70 (1997 Supp.) (commenting that provisions of Title 17 do not apply extraterritorially unless expressly so stated, hence the words "lawfully made under this title" in the "first sale" provision, 17 U.S.C. §109(a), must mean "lawfully made in the United States").

In addition to the Second Circuit decision on appeal here, other courts that have had the opportunity to examine the question since *Quality King* have consistently concluded that, in a case such as the present, where the copyrighted material was first made and sold outside the United States and imported into the United States without the authority of the copyright holder, the first sale defense is inapplicable. *See, e.g., Pearson Education, Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, *3 (S.D.N.Y. May 13, 2008) (Stein, J.) (finding that the first sale doctrine did not apply where defendant acquired foreign editions of plaintiff's textbooks in India and then imported them into the United States without plaintiff's authorization and sold them over the internet); *Pearson Education, Inc. v. Kumar*, No. 07-Civ-9399 (CSH), 2010 WL 1609024, *6 (S.D.N.Y. Apr. 16, 2010) (on identical facts as presented in *Pearson Education, Inc. v. Liao*, finding that the first sale doctrine does not apply to copies of a copyrighted work manufactured abroad); *Swatch S.A. v. New City, Inc.*, 454 F. Supp.2d 1245, 1253-55 (S.D. Fla. 2006) (finding that the first sale defense was not applicable where watches were manufactured and first sold abroad and concluding: "Because defendant relies exclusively on the first sale protection of §109(a), without contesting the validity of Plaintiff's copyrights or other relevant facts related to Plaintiff's §602(a) claim of copyright infringement, summary judgment in favor of Plaintiff is

appropriate on [the copyright infringement claim]"); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, No. SACV 02-1188 Doc. (Anx), 2003 U.S. Dist. LEXIS 26302, at * 11-14 (C.D. Cal. Mar. 13, 2003); *Parfums Givenchy, Inc. v. Drug Emporium*, 38 F.3d 477 (9th Cir. 1994) (holding that the importation right survives to a particular copy unless and until there has been a "first sale" in the United States).

B. The First-Sale Doctrine Does not Apply Since Wiley has not Exercised or Exhausted its U.S. Distribution Right With Respect to the Copies

Petitioner and several *amici* have argued that, even if section 109(a) does not literally apply, the principles that led to the development of the "first-sale doctrine," as first enunciated by this Court in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1909), remain applicable and that those principles dictate that Wiley, having authorized its subsidiary to manufacture and sell the textbooks at issue, cannot limit the right of subsequent purchasers to sell them in the United States.

That argument misses the point. The first sale doctrine may very well apply once a U.S. copyright owner has exhausted its U.S.-created distribution rights with respect to a copy made outside of the United States, such as, for example, by authorizing its importation and subsequent sale in the United States. Unlike the facts of this case, under that fact pattern the owner may be free to sell such copies without any further authorization from the copyright owner, even though the statutory language of section 109(a) does not expressly mandate such a result. However, the first sale doctrine has no application to a case such as the present, where the U.S. copyright owner

only authorized the manufacture and sale of the copies in jurisdictions where its U.S. copyright did *not* apply and never exercised its distribution right under section 106(3) of the Copyright Act.

The critical fact in this case is that the respondent Wiley has never exercised any of its exclusive rights granted by the U.S. Copyright Act with respect to the copies at issue. As discussed above, it is well established the U.S. Copyright Act has no extraterritorial effect. In particular, Wiley's U.S. copyright gave it no right to control the manufacture or distribution of copies in Thailand; those rights, if any, would only exist under the laws of the countries in which the books were manufactured and sold. And, since U.S. copyright law gave Wiley no rights under the law of the countries in which the books were made and sold, it can hardly be said that Wiley has ever exercised, much less exhausted, any of its rights under the U.S. Copyright Act with respect to those copies.

C. Application of the First Sale Doctrine to Imported Works Would Disrupt Industry Practices and Discourage the Worldwide Distribution of Copyrighted Works

Finally, as a matter of policy, IPO believes that it is important to affirm the decision below in order to preserve the long-established principle that the grant of authority to distribute copyrighted works in one jurisdiction confers no rights in another. That principle preserves the established business practices and existing agreements among copyright-based industries that are premised on the understanding that the copyright in a work can be assigned or exclusively licensed to a person in one

country without undermining the rights of the copyright owners in other jurisdictions. Accordingly, this principle promotes the worldwide distribution of copyrighted works by permitting authors and their publishers to distribute their works in a wide variety of markets using different versions, editions and pricing without undermining their economic value in other markets.

It has been a long established practice in copyright-based industries for owners who want to maximize the distribution of their works to use different publishers in different markets. This was historically due to a variety of factors that are particularly applicable to copies of copyrighted works, including the linguistic and cultural differences mandating the use of different versions of the works in different countries and the need for knowledge of and relationships with local distributors and retailers. Although large publishers, such as Wiley, may be able to establish affiliates to act as their local publisher in some countries, the holders of the rights in different countries are often unrelated and may well be competitors in the American market. Thus, the copyright industry has relied for decades on the law that a grant of rights in one jurisdiction does not grant rights in another. Indeed, the Copyright Act has long contained provisions such as are currently embodied in section 602 of the current Act, designed to protect U.S. copyright owners against efforts to subvert that practice by importing foreign versions of works even where they are lawfully made and sold in other countries.[5]

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5. Prior to 1968, the Copyright Act of 1909 even prohibited U.S. publishers themselves from importing significant quantities of English language non-dramatic works that were not manufactured in the United States and Canada.

This Court expressly recognized the widespread and prevalent nature of that practice in *Quality King*, when it referenced comments made by the Register of Copyrights in a 1961 report to Congress:

> When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries.

Quality King, 523 U.S. at 147 (citing Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 125-26 (H.R. Judiciary Comm. Print 1961)). Remarking on these comments by the Register of Copyright, the *Quality King* court further elaborated that, so long as the application of section 109(a) is limited to copies made in the United States, these longstanding industry practices would be preserved:

> Even in the absence of a market allocation agreement between, for example, a publisher of the U.S. edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights - enforceable under the Act - to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, ... presumably only those made by the publisher of the United States edition would be "lawfully made under

> this title" within the meaning of §109(a). The first sale doctrine would not provide the publisher of the British [i.e., foreign] edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

Id. at 148.

Today, where perfect digital copies of copyrighted works can be manufactured in unlimited quantities and distributed worldwide at virtually no cost, and there are huge differences in the enforceability of copyright laws from one country to another, the need to protect the holders of the exclusive rights in one jurisdiction from the unauthorized importation of foreign copies is stronger than ever. There is often no way to detect the difference between a copy that has been lawfully produced abroad and a counterfeit, and requiring the U.S copyright owner to prove that an imported copy was not "lawfully made," particularly in countries where copyright enforcement is lax or non-existent, would place a virtually impossible burden on copyright owners seeking to protect their exclusive rights in the United States.

The textbook industry presents a good example of the consequences that could result from eliminating the right to prevent importation of copies that are made abroad. In a July 2005 report issued by the United States Government Accountability Office on the price of college textbooks, the GAO stated:

> Textbooks developed for certain academic disciplines are more likely to have broader

> international appeal than others, according to publishers. For example, the content in many mathematics, science and engineering textbooks is essentially global in its applicability ... If international demand for a textbook exists, publishers may sell the same textbook that is sold in the United States, an international edition produced with less expensive materials, or an adaptation of the textbook that includes locally relevant examples. In international markets where the primary language spoken is not English, publishers may sell the rights to translate the textbook into the local language.

U.S. Gov't Accountability Office, GAO-05-806 College Textbooks at pp. 21-22 (2005). Finding that publishers consider many different factors in pricing the textbooks sold abroad, including income level, cost of living, strength of currency, demand, etc., the report observes:

> Publishers told us that they have to be particularly concerned about pricing at a level that is affordable to students in developing countries because of the threat of piracy in these countries.
>
> *****
>
> In addition to income levels, differences in instructional styles and systems of higher education influence publishers' pricing decisions. For example, publishers told us that even though average income levels are high in the United Kingdom, textbooks tend to sell for lower prices than in the United States because the demand

> for textbooks is lower. Specifically, they said that instructors in the United Kingdom are more likely to recommend several textbooks for students to consider, rather than requiring a specific textbook. Additionally, publishers told us that there is less demand for electronic and print supplements to support teaching and learning in non-U.S. markets. Publishers also told us that because higher education funding tends to be highly subsidized in the United Kingdom and European countries, students may not be willing to pay out-of-pocket costs for textbooks at U.S. prices. According to publishers, textbook prices in Canada and Australia tend to be similar to those in the United States because the instructional styles are similar in that instructors select specific textbooks for their classes. However, publishers noted that in these markets there is also greater demand for U.S. textbooks that have been adapted to the local culture or economy. In order for international pricing differences to persist, there must be barriers that limit mass importation of less expensive U.S. textbooks from other countries.

Id. at 22-23.

One effect of eliminating those barriers, by extending the first-sale doctrine to an unauthorized importer, would likely be that copyright owners would restrict the foreign sales of copies of their works to jurisdictions in which they could command a higher price and rigorously enforce their rights under the local copyright law, and refuse to sell

them anywhere else lest they undercut the market for the works elsewhere. Thus, the effect would not be to reduce prices in the U.S, but to discourage the dissemination of copyrighted works at reduced prices in developing nations. *See, e.g.*, NEW YORK TIMES, *Getting Textbooks Cheaper from India*, Mar. 29, 2006 (discussing the concerns of the Indian government that the widespread importation into the United States of textbooks sold at reduced prices in India will lead to a return to "the bad old days," when to prevent infringement, American publishers sold only out-of-date textbooks to overseas markets). Thus, applying the "first-sale doctrine" to works that were made and sold abroad, but were not authorized for importation and sale in the United States, would not only be inconsistent with the language of the Copyright Act and the principles that underlie the "first-sale doctrine," but would also discourage the international dissemination of copyrighted information throughout the world, including, particularly, developing nations.

CONCLUSION

The facts of this case do not support the application of section 109(a) because the copies were not "lawfully made under this title." Nor do they justify the application of the general principles of the first-sale doctrine as developed by this Court, because the copyright owner has never exercised, at any time, its exclusive right under U.S. Copyright Law to distribute copies of its work in the United States. Moreover, extending the first-sale doctrine to permit the sale of copies in the United States without the authority of the U.S. copyright owner would defeat the purposes of section 602(a)(1) of the Act, disrupting the longstanding and ongoing business practices of copyright-

based industries and discouraging the dissemination of copyrighted works in developing countries..

For all of these reasons, IPO believes that the judgment of the Second Circuit Court of Appeals should be affirmed.

Respectfully submitted,

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APPENDIX

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AMICUS CURIAE BRIEF

Supreme Court, U.S.
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No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG
DBA BLUECHRISTINE 99,

Petitioner,

v.

JOHN WILEY & SONS, INC.

Respondent,

On Writ Of Certiorari To The United States Court of Appeals For The Second Circuit

BRIEF OF *AMICUS CURIAE* KNOWLEDGE ECOLOGY INTERNATIONAL IN SUPPORT OF NEITHER PARTY

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INTEREST OF AMICUS CURIAE[1]

Knowledge Ecology International ("KEI") is an international non-profit, non-governmental organization that searches for better outcomes, including new solutions, to the management of knowledge resources. In particular, KEI is focused on the management of these resources in the context of social justice. KEI is drawn to areas where current business models and practices by businesses, governments or other actors fail to adequately address social needs or where there are opportunities for substantial improvements. Among other areas, KEI has expertise in access to knowledge issues.

KEI is concerned about the implications of the Second Circuit decision in the present case because of its far-reaching consequences for distribution of knowledge resources and impacts on consumers. If the Second Circuit decision is permitted to stand, manifestly absurd consequences will result impacting consumers, businesses and the United States economy.

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[1] The parties have consented to the filing of this brief. Respondent's letter granting blanket consent to the filing of *amicus briefs* is on file with the Clerk of this Court. Petitioner's consent to the filing of this brief has been filed with the Clerk of Court. Counsel of record for all parties received notice at least 10 days prior to the due date of the amicus curiae's intention to file this brief. No counsel representing any party to the case authored this brief, in whole or in part, and no counsel or party made any monetary contribution to the preparation or submission of the brief.

SUMMARY OF THE ARGUMENT

The first sale doctrine, codified at Section 109(a) of the Copyright Act, has long limited the exclusive right of distribution for a copyright owner. Under this doctrine, once a lawful first sale is completed the copyright owner's right of distribution is considered exhausted. This doctrine has promoted access to knowledge and information, balancing the rights of a copyright owner with the public interest.

The Second Circuit's decision restricts the application of the first sale doctrine to those copies manufactured in the United States, thereby giving greater copyright protection to copies made abroad. Such preferential treatment results in a number of absurd results and can ultimately harm American business interests and our domestic economy. Copyright owners will have an incentive to manufacture copies outside of the United States in order to gain greater monopoly power over their works.

Providing a copyright owner with greater rights over distribution for foreign manufactured copies of copyrighted works will also harm consumers. Copyright owners will be able to price works at a higher level because of the elimination of competition from secondary markets such as second-hand bookstores or online auction sites. In addition, restrictions on the first sale doctrine will also hamper existing copyright limitations and exceptions by, for example, prohibiting distribution of accessible format works made for the benefit of persons who are blind or visually impaired if such copies are

manufactured abroad. Libraries will not be able to lend their works unless they confirm that each particular copy in its collection was manufactured in the United States. So too will the Second Circuit's decision threaten a museum's ability to display works of art made abroad. The results of the Second Circuit's opinion will thus threaten the domestic economy, access to knowledge and the public interest.

Although public policy may support limited restrictions on parallel importation, such determinations and the scope of any limitations on parallel trade are best left to Congress, and then narrowly drawn. As a matter of public policy, the general rule for copyright should be freedom to engage in parallel trade. This freedom should be curtailed only in limited cases where there is a compelling public policy justification for the United States to face higher prices than other countries for the same work. While such a rationale may exist in the present case, as a matter of public policy, a remedy that extends to all works will wreak havoc with our national interest, as will be the consequence of interpreting "lawfully made under this title" to mean "lawfully made in the United States." Moreover, appropriate policy supports a general rule permitting parallel trade; only in the limited instances where the public interest is served by restricting global parallel trade, such restrictions should be narrowly drawn to cover only the areas where compelling public policy so justifies.

ARGUMENT

I. UNITED STATES COPYRIGHT LAW LIMITS A COPYRIGHT OWNER'S EXCLUSIVE RIGHTS, INCLUDING THE RIGHT OF DISTRIBUTION

A copyright owner has a number of exclusive rights, but limitations exist to these rights. Congress has limited the right of distribution, including the right to control importation of a work, by the first sale doctrine. Lower court decisions regarding the application of the first sale doctrine to foreign made works has led to a split of authority and both the Second and Ninth Circuits have produced rules that, as a practical matter, are extremely difficult to apply. In particular, the Second Circuit holding in the present case greatly expands the scope of rights for foreign made works, leading to absurd results.

A. The Purpose of the Copyright System Is To Promote Progress and Must Consider the Public Interest.

The Constitutional rationale for the copyright system is "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. 1, §8, cl. 8. This provision gives Congress the power to make laws that provide a limited time monopoly, but is constrained to providing exclusive rights only where they "promote the Progress of Science and the useful Arts."

Both Congress and courts have determined that copyright's purpose must encourage progress. Legislative history of the 1909 Copyright Act, for example, highlights the notion that exclusive rights over the expression of ideas "is not based upon any natural right that the author has in his writings, . . . but on the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings." H.R. Rep. No. 60-2222 at 7 (1909) *reprinted in* 6 Legislative History of the 1909 Copyright Act 57 (E. Fulton Brylawki, et. al., eds., 1976). This Court has agreed with this sentiment, noting that the "primary objective of copyright is not to reward the labor of authors, but 'to promote the Progress of Science and the Useful Arts. To this end, copyright assures authors the right to their original expression but encourages others to build freely upon the ideas and information conveyed by a work." *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 349-50 (1991) (internal citations omitted); *See also Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the *ultimate aim* is, by this incentive, to stimulate [the creation of useful works] for the general public good.") (emphasis added).

Ultimately, exclusive rights for an author must be balanced against the general public good. Melville B. Nimmer & David Nimmer, Nimmer on Copyright §1.03 (2011). The correct balance can often be difficult to achieve with the "interests of authors . . . on the one hand, and society's competing

interest in the free flow of ideas, information and commerce on the other hand." *Sony Corp. of Am. v. Universal Studios, Inc.*, 464 U.S. 417, 429 (1984). Litigation over copyright provisions, then, must take into account the Constitutional rationale of the copyright system and endeavor to protect the public interest.

B. The Right of Distribution, Including the Right to Control Importation is Limited by the First Sale Doctrine Which Does Not Depends on Location of Manufacture.

Under United States copyright law, the owner of copyright possesses a number of exclusive rights codified under Section 106 of the Copyright Act, including the right of distribution. 17 U.S.C. §106(3). However, these rights are not without exception and Sections 107 to 122 provide important limitations.

One important limitation is known as the "first sale doctrine" or "exhaustion of rights." The first sale doctrine has its roots in the 1908 decision in *Bobbs-Merrill Co. v. Straus*, where this Court found that, after an initial authorized sale, a copyright owner did not retain control over subsequent sales of that copy. 210 U.S. 339 (1908). This limitation was later codified in United States copyright law and currently exists at Section 109, which provides that

> (a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person

> authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. 17 U.S.C. §109(a).

Thus, once a sale or transfer has been made of a copy "lawfully made under this title," the copyright owner no longer has control over the distribution of that copy. A person can resell the copy or loan it to someone, without authorization or consent of the right owner.

A copyright owner's ability to control importation of his work is also at issue in cases involving parallel trade. Section 602(a)(1) places a prohibition on importation, but in enacting this provision, Congress carefully linked the ability to control importation to a copyright holder's exclusive right of distribution:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106. 17 U.S.C. 602(a)(1).

The language of Section 602(a)(1) ties infringement to the exclusive right of distribution. Because it links importation to Section 106(3), so too must it be subject to the limitations of Sections 107-122, including the first sale doctrine. Thus, the right to control importation, like other rights of a copyright

holder, is not absolute or without limitation. Taken in context of the Section 106 and 109, the prohibition on importation may apply prior to the first sale of a copy of a work, but once that copy has been lawfully sold the copyright holder may not exercise its right to control distribution, including any importation rights.

Although the Second Circuit found that Section 602(a)(1) ban on importation applied to the present case, it did so by determining that Section 109's use of the words "lawfully made under this title" meant manufactured in the United States. The plain language of Section 109 does not support this reading to limit application of the first sale doctrine to copies manufactured domestically. The language used simply says, "lawfully made under this title," without reference to the location of manufacture. The phrase is therefore best interpreted as meaning "consistent with" or "according to" Title 17. This interpretation is supported by Webster's dictionary definition of "under" which means "in accordance with." Webster's Third New Int'l Dictionary 2487 (2002).

If Congress had intended to limit the applicability of Section 109 to domestically manufactured works, it would have added explicit language doing so. In fact, prior versions of the Copyright Act used a "manufacturing clause" with respect to various provisions. The now expired provision of the Copyright Act of 1981 and 1976 codified at 17 U.S.C. §601 specifically and unambiguously prohibited importation of non-dramatic literary works written in the English language from importation into the United States

and required such works to be manufactured in the United States. 17 U.SC. §601 (1976) ("[T]he importation into or public distribution in the United States of copies of a work consisting predominantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada."). The absence of any language referencing location of manufacture today is instructive and does not support any limitation on the first sale doctrine on the basis of whether a copy is manufactured domestically or abroad.

Such a reading does not render 602(a)(1) meaningless, but simply subjects it to the same limitations as the general right to control distribution. Prior to the first authorized sale, the copyright owner maintains the right to control distribution, including the right to control importation under 602(a)(1). A manufacturer located outside the United States therefore would not be able to import copies of works produced absent either an initial authorized sale or permission from the right owner.

C. The Second Circuit's Opinion in the Present Case Greatly Expands the Rights of a Copyright Owner With Respect to Foreign Made Works.

In the present case, the Second Circuit takes an extreme position that greatly increases a copyright owner's rights over foreign made copies, providing such works with more protection than domestically manufactured copies. The Second

Circuit explicitly declined to adopt the approach of the Ninth Circuit, which held that the first sale doctrine applied to foreign made copies, but only after an authorized first sale in the United States. *See infra*, Section I.D. Instead, the lower court in this case adopted a rule where the first sale doctrine will never apply to any copy of a work that is manufactured outside the United States.

Even if the copyright owner authorizes a sale within the United States, if that copy was made abroad, the copyright owner can continue to control all subsequent distributions. Even if the copy has changed hands ten times within the United States, the copyright owner would still have the right to control the distribution of that copy. A buyer who makes a lawful and authorized domestic purchase may unwittingly commit a copyright infringement by later re-selling the copy, not realizing that the copy was manufactured in a foreign country. The result is that a copyright owner could completely eliminate all secondary markets, simply by manufacturing copies of his work in a foreign country.

It should be noted that the distribution right for which a copyright owner would retain all control over is not limited to the re-sell of a copy. The right broadly encompasses not only the sale of a copy, but also includes the distribution right of "gift, loan, or some rental or lease arrangement." H.R. Rep. No. 91-1476 at 62 (1976) *reprinted in* 1975 U.S.C.C.A.N. 5659, 5675-76. For any copyrighted goods manufactured abroad, then, the copyright owner would be able to control all future distributions. Even if the copyright owner were to authorize a first sale within the United States for a foreign

manufactured copy, under the Second Circuit ruling, it would be an infringement of copyright for that purchaser to give or even loan his copy to a friend.

Absurdly, the ability to retain indefinite control over a copy of work would apply to all foreign made copies and only to foreign made copies. The first sale doctrine would still apply to those copies produced in the United States. As a result, the Second Circuit ruling in the present case expands the scope of protection to copies manufactured in a foreign country and, as will be discussed in further detail in Section II.A, *infra*, thus encourages copyright owners to outsource manufacturing and produce their copies outside the United States.

D. The Ninth Circuit, in *Omega v. Costco*, Provided an Unworkable Standard

The Ninth Circuit, by contrast, did not conclude that a foreign made copy of a work can never be subjected to the first sale doctrine. *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008). Instead, the Ninth Circuit determined that this extreme position would, indeed, result in a scenario where "substantial greater copyright protection" would apply to copies made in a foreign country. *Id.* at 989.

In light of the "untenable" consequences of a copyright owner having indefinite control over the right to distribution of copies of any work made abroad, the Ninth Circuit adopted a rule where the limitation of the first sale doctrine applies to foreign made copies once an authorized sale takes place in

the United States. Thus, *Omega v. Costco* decision permits the copyright owner to retain the right of distribution in the United States for foreign made copies, but only until an authorized first sale is conducted in the United States. After the first authorized domestic sale, according to Ninth Circuit jurisprudence, the first sale doctrine applies and the copyright owner can no longer control the distribution of that copy of the work regardless of the place of manufacture. Although in theory the Ninth Circuit decision may be seen as a compromise position, in practice it is likely to create an unworkable standard.

First, such a rule is difficult to comply with, particularly for downstream consumers who purchase a copy of a work domestically. The copyright owner might have never authorized a first sale in the United States of a foreign made copy, but it is unlikely that the holder of the copy would have a record of its chain of title. For example, a traveler might purchase a copy of a book while on vacation in another country, then upon his return gives it to a co-worker. According to the Ninth Circuit—because the right of distribution is not limited to sales—such a transfer constitutes a copyright infringement. That co-worker might later sell the copy on eBay. That subsequent purchaser might then re-sell the copy at a garage sale. Each transfer, according to the Ninth Circuit rule, constitutes a copyright infringement because a first sale was never authorized in the United States. A copyright owner would, therefore, still have the right to control even a tenth sale under this rule, despite the fact that subsequent holders of the copy may be completely unaware that the work is foreign made or that he is infringing any copyright.

As noted in the above example of the traveler who gives his copy of a book away, the Ninth Circuit rule has serious impacts regarding the ability of a person to purchase an item protected by copyright while abroad and return home with the item as a gift. While the Copyright Act provides a "suitcase exemption," permitting the importation of a single copy of a work in one's personal luggage, this exemption applies solely for personal use and "not for distribution." 17 U.S.C. §602(a)(2)-(a)(3)(b). Thus, the transfer of a copy of a work protected by copyright, even as a gift and even when the copy is lawfully manufactured and lawfully purchased abroad, is prohibited under the approach taken by the Ninth Circuit.

The rule in the *Omega v. Costco* case makes it difficult for those who acquire works domestically to ensure that further distribution of the work will not constitute copyright infringement unless they are aware of the complete chain of title. Further, this standard negatively impacts travelers who may want to purchase gifts while abroad. As a result, the Ninth Circuit's holding provides an unworkable standard and produces the very "untenable" consequences it tried to avoid.

In addition, while the Ninth Circuit solution may be seen as a less extreme position than the Second Circuit ruling, it is still problematic—perhaps even more so—because it lacks textual basis and support in the Copyright Act. Section 109 refers only to whether a particular copy is "lawfully made under this title." 17 U.S.C. §109. At issue is whether this phrase means made in the United States, or made in

accordance with the mandates of Title 17. Section 109 does not refer to authorization of sale by the copyright owner and application of the first sale doctrine does not hinge upon an authorized first domestic sale of a foreign made copy.

E. The Third Circuit's Decision Provides Appropriate Deference to Congress' Power to Make Laws.

The issue of parallel importation has also come before the Third Circuit, albeit under a different set of circumstances from the present case. *Sebastian International, Inc. v. Consumer Contacts (PTY) Ltd.* involved goods with copyrighted labels sold by the copyright owner to a foreign distributor in South Africa. 847 F.2d 1093 (1988). The foreign distributor then shipped the products with the copyrighted labels back to the United States, completing a "round trip" of the copyrighted goods. *Id.* Ultimately, the Third Circuit found no copyright infringement because of the initial authorized sale from the manufacturer to the foreign distributor finding that "a first sale by the copyright owner extinguishes any right later to control importation of those copies." *Id.* at 1099. The Third Circuit went on to note that the exclusive right of distribution "is specifically limited by the first sale provisions of §109(a), it necessarily follows that once transfer of ownership has cancelled the distribution right to a copy, the right does not survive so as to be infringed by importation." *Id.*

Though the *Sebastian* case "superficially targets a products label, but in reality rages over the product itself" 847 F.2d at 1099 and involved products made domestically and sold abroad, the

wisdom of the Third Circuit may still be applicable. That court noted its "unease" with interpretations by other courts restricting the term "lawfully made" to mean manufactured within the United States. *Id.* at 1098 n.1. It noted that where Congress "considered the place of manufacture to be important," it included such concerns in statutory language. *Id.*

The Third Circuit, showing its restraint and deference to the power of Congress to create laws, noted in conclusion "that the controversy over 'gray market' goods, or 'parallel importing,' should be resolved directly on its merits by Congress, not by judicial extension of the Copyright Act's limited monopoly." *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1099 (3d Cir. 1988). Certainly, this Court has endorsed this approach, as well, when interpreting other laws. The Supreme Court has noted that, "Under our constitutional framework, federal courts do not sit as councils of revision, empowered to rewrite legislation in accord with their own conceptions of prudent public policy." *United States v. Rutherford*, 442 U.S. 544, 555 (1979) (citing *Anderson v. Wilson*, 289 U.S. 20, 27 (1933)). The only permissible judicially implied exception to the plain language of a statute exists where "a literal construction of a statute yields results so manifestly unreasonable that they could not fairly be attributed to congressional design." *Id.* (citing *TVA v. Hill*, 437 U.S. at 187-88)).

Ultimately, this Court adopted the *Sebastian v. Consumer Contacts* approach in *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1986). Like the case before the Third Circuit, though, *Quality King* involved "round trip" parallel

importation involving copyrighted label and the facts thus differ from the case at hand. Notably, though, at least in cases involving "round trip" parallel importation, Congress has not seen fit to amend the Copyright Act to place restrictions on parallel trade.

In the present case, the plain language of the Copyright Act can support a limitation on the exclusive right of distribution, including the right to control importation. In fact, though textual or legislative history may support a contrary reading, as will be discussed further, *infra*, such a contrary reading, such as those by the Second or Ninth Circuits may produce manifestly absurd and unreasonable results. This Court therefore should interpret the Copyright Act to avoid such unreasonable results and leave to Congress to best determine what mechanisms, if any—and under what circumstances—should be enacted to limit parallel trade of copyrighted goods.

II. THE SECOND CIRCUIT'S EXPANSIVE RULING HAS NEGATIVE AND UNINTENDED IMPACTS FOR UNITED STATES BUSINESSES, CONSUMERS AND THE DOMESTIC ECONOMY.

The lower court's ruling in the present case, because of its expansive sweep, provides an incentive for copyright owners to outsource manufacture of copies of their work, negatively impacting the domestic economy by sending work abroad. Furthermore, limiting parallel trade in all circumstances may put United States companies at a disadvantage, as compared to companies operating in a foreign country.

A. The Second Circuit Decision Produces Manifestly Absurd Results by Providing Greater Copyright Protection to Foreign Made Works.

The Second Circuit ruling would provide greater copyright protection for copies of works made abroad than those produced domestically. The lower court's decision would apply Section 109 to the first sale of a copy to all copies produced in the United States. By contrast, however, the Second Circuit would *never* apply the first sale doctrine to any copy of a work made in a foreign country. Thus, a copyright owner would retain control over his distribution rights indefinitely for foreign made copies and, as a result, has an incentive to produce such copies outside the United States.

The incentive will likely drive copyright owners to outsource the manufacture of copies of works. In addition to perhaps finding less expensive labor costs abroad, the copyright owner will receive the added benefit of controlling distribution rights of every copy for the duration of the copyright term. By producing his copies in a foreign country, he will be able to prohibit all reselling or other forms of distribution of the copy, eliminating the ability of consumers to purchase used goods and thereby increasing his monopoly power. The copyright owner would no longer compete with secondary markets, such as used bookstores, online auction sites, or libraries, and consequently be able to charge higher prices for its goods simply by ensuring the manufacture of its copies takes place abroad. *See* John A. Rothchild, *The Incredible Shrinking First*

Sale Rule: Are Software Resale Limits Lawful?, 57 RUTGERS L. REV. 1, 79-80 (2004).

As a result, more jobs are likely to be sent oversees, a potential detriment to the United States economy. There is no evidence that Congress intended such a result.

B. Blanket Prohibition Against Parallel Trade Fails to Distinguish Between Different Classes of Copyrighted Works and Uses and Can Put Consumers and Businesses in the United States at a Disadvantage

A copyright owner may have a variety of reasons for wanting to segment markets and sell copies of his work at different prices in different countries. A wide range of works are protected by copyright and the public policy rationale for allowing or prohibiting such market segmentation varies considerably by the type, use and country of import for the work.

Although benefits exist for restrictions on parallel trade for certain classes and uses of copyrighted works between countries of relatively high and low incomes, blanket prohibitions on parallel trade for all classes and uses of works and between all countries are not appropriate as a public policy matter.

The most compelling argument for limitations on parallel trade in copyrighted works is for works used by consumers in lower income countries for

personal use, including, but not limited to, for entertainment or education. In such cases, lower prices in lower income countries will expand access and reduce the motivation for piracy of works in those countries. Such expanded access is important in protecting access to knowledge and cultural works, and in facilitating the lawful distribution of copyrighted works at reasonable and affordable prices.

It may therefore be reasonable for Congress to place restrictions on parallel trade in certain types of works between a high-income country and a low-income country. However, these policy determinations are best left to Congress to determine the scope of such restrictions. As Congress has not enacted such restrictions, this Court should reverse the Second Circuit's decision in the present case.

The Second Circuit's opinion creates a blanket and blanket prohibition on parallel importation and eviscerates the first sale doctrine. Prohibiting the resale of a lawful copy of a work simply because it was made in a foreign country—any foreign country—greatly expands the scope of copyright protection and fails to make any distinction between trade from countries of similar economic levels. Even where a copy of a work may be purchased in another high-income country at a similar price to that in the United States, the copyright owner would still be able to restrict such trade. Thus, for example, consumers in the United States could not benefit from parallel trade in works available at lower prices in Australia, Canada, the United Kingdom or other high-income countries, including cases where the rights to the works are foreign owned.

In cases involving trade between the United States and low-income countries, a restricted, rather than a blanket prohibition, represents better public policy. The United States is not always served by a policy of paying higher prices. Some copyrighted works involve uses by businesses for products and services that move in global trade. An American company may require a specific type of software or platform to operate, or certain technical manuals or books. Those works may be priced significantly lower in another country where competing firms exist. As a result, American firms will be at a disadvantage when compared to foreign domiciled firms, and will also have an incentive to relocate or outsource more work to countries where necessary copyrighted goods may be available at a lower price.

When, and if, Congress restricts parallel trade in copyrighted works, it can choose the circumstances and nature of such restrictions, taking into account the impact of the restrictions not only on owners of copyrighted works, but also on consumers and businesses in the United States and other countries.

It is useful to reflect upon the policy considerations one observes in the debates over parallel trade in patented goods. Restrictions on parallel trade in patented medicines between high and low income countries are considered important, in order to protect differential pricing that is necessary for ensuring more equal access to life saving medicines. On the other hand, parallel trade in patented pharmaceutical drugs between high-income countries, such as between the United States and Canada and Northern Europe, is appropriate,

and would protect the United States from shouldering an excessive burden of the cost of developing new drugs.

Global parallel trade in patented goods other than pharmaceuticals, including, but not limited to, parallel trade between high- and low-income countries, is appropriate in many other cases. For example, global parallel trade in patented goods is appropriate where the inventions are used in goods that in turn are inputs to other manufactured goods that enter international trade, when patented inventions are a smaller part of the value of the good, or where unequal access to the goods is not as repugnant as is the case for pharmaceutical drugs.

For all copyrighted, patented and trademarked goods, as a general rule, policy should seek to permit the freedom to engage in parallel trade. Restrictions on that freedom should be limited and carefully drawn in order to avoid cases where United States consumers and businesses unnecessarily pay exceptionally high prices for goods. Although some limited cases exist where restrictions on the freedom to engage in parallel trade between high- and low-incomes represent appropriate public policy, it is the Congress rather than the courts that should impose limits on the freedom to trade.

III. THE SECOND CIRCUIT DECISION HAS NEGATIVE IMPACTS ON CONSUMERS AND THE PUBLIC INTEREST

In addition to negatively impacting businesses, the Second Circuit's ruling would harm

consumers and impede full functionality of long-standing limitations and exceptions.

A. Blanket Prohibition Against Parallel Trade Could Impact Legitimate Existing Limitations and Exceptions, Including for Accessible Format Works for the Visually Impaired.

One concrete example exists in the context of accessible format works for persons who are visually impaired or have other disabilities. Persons who have reading disabilities depend on various technologies and formats to have access to works. These may include books printed in Braille or an audio version on cassette or CD, but also include newer technologies such as specialized e-book readers that provide computer generated text-to-speech or refreshable Braille system.

Creation of accessible formats of copyrighted works has long been accepted as fair use. This Court confirmed that the creation and distribution of works for the benefit of persons who are visually impaired is considered fair use in the case *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). There, this Court noted that copying "of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying." *Id.* at 455.

This fair use exception was later codified under Title 17 in 1996 in what became known as the Chafee Amendment. 17 U.S.C. §121. This limitation provided that the creation and distribution of accessible format works, including Braille, audio or digital text, by an authorized entity is not an infringement of copyright.

Only a small fraction of published books, are created in or converted to an accessible format. Even works that are available in some formats such as Kindle edition e-books, may have text to speech disabled by the publishers or lack usability due to inaccessible menus, lack of descriptions of illustrations or data presented in tables, slow text-to-speech capacities or other barriers for persons with disabilities. Additionally, within the United States it is difficult to find accessible format works produced in languages other than English.

The United States is one of roughly sixty countries that have some type of domestic exception in copyright law for persons with disabilities. World Intellectual Property Organization (WIPO), *Study on Copyright Limitations and Exceptions for the Visually Impaired*, p. 70, SCCR/15/7 (Feb. 20, 2007) (*prepared by* Judith Sullivan).

Because of the high cost of making accessible format works and the scarce resources for doing so, it has long been recognized that it would be more efficient to share copies of accessible format works across borders, so that organizations providing services to persons who are blind or have other disabilities can avoid duplication of efforts.

The topic of exhaustion of rights has been identified as one possible mechanism to permit cross-border sharing of such accessible copies. This approach was examined in some detail by the World Intellectual Property Organization (WIPO) and United Nations Educational, Scientific and Cultural Organization (UNESCO) in a 1985 report and is among the approaches under consideration today at the WIPO Standing Committee on Copyright and Related Rights (SCCR) following renewed interest in expanding access to information for persons with disabilities. *Problems Experienced by the Handicapped in Obtaining Access to Protected Works, Taking Into Account, In Particular, the Different Categories of Handicapped Persons,* IGC(1971)/VI/11—B/EC/XXIV/IO, Annex II, (*prepared by* Wanda Noel). As stated by Noel in 1985:

> The application of exhaustion removes any importation barrier to the free circulation of special materials. The introduction of exhaustion in the copyright law of the country into which the importation of special media materials is desired permits entry of the copies into that country. Therefore, if the consuming countries enact the doctrine of exhaustion with respect to special media materials, they will remove any access barrier to those materials, provided of course, that legally produced copies are available.

In communication with WIPO, the United States Copyright Office and the United States Patent and Trademark Office have indicated the United States may legally import copies of accessible format works created under exceptions from foreign countries, without the permission of the right holder, if that foreign country permits such exports under its own domestic law. United States, Response to WIPO Standing Committee on Copyright and Related Rights (SCCR) Questionnaire Concerning Limitations and Exceptions (2010) at 22-23, *available at* http://www.wipo.int/export/sites/www/copyright/en/limitations/pdf/us.pdf. The United States is currently in negotiations with other countries to adopt policies that permit the export of works into the United States without the permission of right holders.

The Second Circuit opinion could impact the ability of persons who are blind, or a specialized library providing services to the blind, from obtaining and sharing a copy of accessible format works if that format was first produced in another country.

The small collections of available accessible format works in the United States will be smaller than would be the case if cross-border exhaustion is recognized. All foreign language accessible format works would need to be created domestically within the United States. In 2009, 35 million United States residents spoke Spanish at home, accounting for approximately 12-percent of the domestic population. U.S. Census Bureau, 2009 American Community Survey: Table B16001, *available at* http://www.census.gov/acs/www/. These Spanish speakers, or those who are English speaking and

wish to learn a new language, who are visually impaired or have other disabilities could greatly benefit from importation of accessible format works that already exist in Spanish speaking countries, but the lower court's ruling would create an unwanted barrier to acquiring accessible format works made in the Spanish language from our neighbors in Mexico, from another country in Latin America, or Spain. This example of works created in the Spanish language, of course, extends to other languages including Chinese, French, German, Tagalog, Vietnamese, Italian and other languages spoken by large populations of those living in the United States. *See* Malini Aisola and Meredith Filak, *Access to Works Published in Foreign Countries, Comments of Knowledge Ecology International, Response to Notice of Inquiry and Requests for Comments on the Topic of Facilitating Access to Copyrighted Works for the Blind or Persons With Other Disabilities, Fed. Reg. Vol. 74 No. 79,* (Apr. 22, 2009), *available at* http://www.copyright.gov/docs/sccr/comments/2009/.

The consequences of the Second Circuit's ruling could thus impact the importation of works created under legitimate limitations and exceptions. In the present example, the creation of an accessible format work by an authorized entity for a person who is visually impaired or has other disabilities is not considered an infringement. The creator of the accessible format need not seek permission of the copyright owner and the copyright owner does not receive remuneration for the work. Surely Congress did not intend to exclude the distribution of accessible format works, the creation of which is consistent with Title 17, simply because that work was created or manufactured in a foreign country.

B. Limiting the First Sale Doctrine Would Hamper Libraries

Libraries depend on the first sale doctrine in order to lend their books to the public. The right of distribution covers not only sales, but also other forms such as a loan, gift or rental. Without the first sale doctrine, which limits the distribution right, libraries could not lend its books or other materials without infringing copyright. *See, e.g.*, Carrie Russell, Complete Copyright: An Everyday Guide for Librarians 43 (2004).

With the Second Circuit holding, libraries would need to affirmatively verify each copy acquired was manufactured domestically rather than abroad. Even for copies lawfully purchased in the United States, a library cannot be certain that it would not infringe copyright unless it also verified domestic manufacture. Such an undertaking would likely be resource consuming and impede a library's goal of disseminating information to the public through lending of the copies of works it acquires.

C. Museums May Not Be Able to Display Foreign Works that Remain Under Copyright

In addition to hindering the right of distribution in the sense of re-sale or lending, the Second Circuit decision will likely impact the ability to display a work even after a lawful sale has been made. The interplay of the exclusive right of display under Section 106(5) and the limitation of this right, codified by Section 109(c) is similar to the issue of limitations on the right to distribution.

Section 106(5) provides the copyright holder to control public display of works, including *inter alia*, "pictorial, graphic, or sculptural works." 17 U.S.C. §106(5). Like other exclusive rights, this right of display is limited:

> Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located. 17 U.S.C. §109(c).

The language used in Section 106(5) mirrors the limitation on the right of distribution of Section 106(3). Both limitations on a copyright owner's exclusive rights use the phrase "lawfully made under this title" and the Second Circuit's interpretation is therefore likely to be applicable to limitations on display rights.

Logically, this limitation provides that once a lawful sale or transfer of ownership has been made of a particular copy of the work, the copyright owner can no longer control the display of that particular copy. For example, a museum that lawfully acquires the original copy of Andy Warhol's pop art piece, "Turquoise Marilyn," may choose to display that piece of work in its collection without permission of the copyright owner.

However, a museum may run into considerable problems displaying a work that is created outside the United States and still under copyright protection if the Second Circuit decision stands. A work by the famous Spanish surrealist, Salvador Dali, for example, may receive considerably greater protection than a work by Warhol simply because of the place of its creation. By way of example, if the same museum lawfully acquires the last painting completed by Salvador Dali, "The Swallow's Tail—Series on Catastrophes," based on the application of the Second Circuit's opinion, that museum may not display the work without permission from the copyright owner. Although "Turquoise Marilyn" and "The Swallow's Tail" were created in the same relative era and both remain under copyright protection, a museum lawfully acquiring both works would only be permitted to display the former for the sole reason that it was created in the United States rather than abroad.

The result of the Second Circuit's opinion may well extend beyond the issue of distributing or re-selling a copy of a work if its interpretation of the phrase "lawfully made under this title" under Section 109(a) is applied to the same use of the phrase in Section 109(c). The interpretation of this phrase, used twice in the same section of the Copyright Act, should be applicable to both sections. The absurd consequence of a museum not being able to display a work made abroad is compelling evidence that Congress did not intend for the phrase "lawfully made under this title" to mean "made in the United States" and an illustration of the unintended consequences that may occur if the term "lawfully

made under this title" implies also made in the United States.

As a result of the term "lawfully made under this title" being used more than once in the Copyright Act, the consequences of the Second Circuit's decision could impact area of rights other than the first sale limitation on the right of distribution. In particular, those wishing to display works such as a museum, will have greater difficulty with respect to foreign-made works. This result is manifestly absurd and Congress surely did not intend for such consequences. The Second Circuit opinion should therefore be overturned.

CONCLUSION

For the reasons stated above, this Court should reverse the opinion of the Second Circuit.

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July 9, 2012.

AMICUS CURIAE BRIEF

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF LICENSELOGIC, LLC AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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BRIEF OF LICENSELOGIC, LLC AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

STATEMENT OF INTEREST OF THE *AMICUS CURIAE*[1]

Amicus Curiae LicenseLogic, LLC is the leading U.S. provider of software asset management (SAM), content licensing, and rights management services, seminars and related products. The company was founded in 2002 by a former compliance official at the U.S. trade association for the software and information industries. LicenseLogic is a leader in software and content auditing guidance, anti-piracy consulting and compliance education. It has trained thousands of corporate professionals worldwide. LicenseLogic's core products and services include the Certified Software Manager (CSM) and Advanced Software Manager (ASM), in addition to more specialized workshops and content, including books, software and videos. *See* http://licenselogic.com.

Amicus' interest is to ensure the proper application of §109 and §602 of the Copyright Act. Companies in the industries served by *Amicus* rely upon §602 in making and selling "market specific" (such as "country-specific" or "region-specific")

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[1] No counsel for a party authored this brief in whole or in part, and no person other than *Amicus* and its counsel made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief.

versions of copyrighted products, with appropriate pricing and product features. Doing so provides substantial benefit to consumers, copyright owners, retailers, and others. So-called "grey market" copies, such as those sold by Petitioner, undermine these features and jeopardize copyright owners' incentives to produce and distribute market-specific products.

SUMMARY OF THE ARGUMENT

Relying upon the plain statutory text, surrounding provisions of the Copyright Act, and legislative history that spoke directly to the issue in this case, the court of appeals correctly concluded that the first sale doctrine (§109) did not apply to foreign-made copies imported and then resold by Petitioner. "Made under this title" means that making the copy was governed by or subject to the U.S. Copyright Act (Title 17, U.S. Code), with Title 17, not the law of a foreign jurisdiction, determining whether making the copy was "lawful."

Making a copy abroad presumptively is not governed by the U.S. Copyright Act. It is well established that the application of U.S. copyright law is territorial. While foreign *works* are eligible for a U.S. copyright, the *acts* of *making copies* (and exercising the other exclusive rights) generally are beyond the reach of Title 17 if they occur abroad. Petitioner and his *amici* repeatedly gloss over this critical point by conflating a "work" with a "copy," and conflating the status of a copyright with the acts involved in exercising those rights.

General international choice of law conventions further confirm that the law governing the making of a copy presumptively is the site where that act is performed. There is nothing in the record of this case suggesting a departure from this presumption.[2] Indeed, the facts of this case are identical in all material respects to the hypothetical the Court described in *Quality King*, when it explained that the first sale doctrine does not negate the importation right when the copies at issue were made "under the laws of some other country." *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 147 (1998).

Moreover, interpreting "made under this title" to mean governed by or subject to the U.S. Copyright Act is the only way to preserve consistent meaning of the phrase "under this title" throughout the Act. It is also the only way to retain meaning in the importation exceptions in §602(a)(3), all of which would be mooted by §109 under Petitioner's interpretation. Petitioner's interpretation furthermore would eliminate one of the two primary rights granted in §602, namely, the right of copyright owners to enforce their division of international markets. In fact, the evolution of language in the draft copyright revision bills, and the Copyright Office's report thereon, strongly suggest that the phrase "lawfully made under this title" was added to §109 for the purpose of avoiding conflict with the

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[2] Whether other factors could overcome the presumption, such as a publishing contract's choice of law provision, does not appear to be before the Court in this case. *See, e.g.*, Joint Appendix at 65.

newly-expanded §602. Finally, presumptively limiting the first sale doctrine to domestic copies is most consistent with the carefully-crafted manufacturing clause (§601), which limited the number of foreign-printed books that could be imported for U.S. distribution (by the publisher or anyone else) prior to its sunset in 1986.

Petitioner and his *amici* speculate on the extent to which copyright owners *should* be entitled to exercise control over their works, and what is desirable for consumers. But such policy arguments already were considered by Congress during its many years of deliberations culminating in the 1976 Act, and §602 has worked as Congress intended. Moreover, it is Congress' role alone to reconsider competing policy views, and amend the statute if it deems appropriate or necessary.

Lastly, it bears emphasizing that this case involves the *sale* of copies, not the *license* of copies as is the predominant practice in some industries such as mass market software. It is well established that §109 does not apply to licensed copies, and unauthorized downstream distributors of such copies can be sued for copyright infringement. *See* 17 U.S.C. §109(a) (applying to the "owner" of a copy). Not surprisingly, some "reseller" industries desire a shift in the law, and appear to advocate this case as a vehicle to do so. The Court should reject that suggestion, and avoid the implication that this case affects licensed copies.

ARGUMENT

I. THE FIRST SALE DOCTRINE (§109) PRESUMPTIVELY DOES NOT APPLY TO COPIES MADE IN FOREIGN JURISDICTIONS

Established principles of statutory construction dictate that §109 does not apply when the making of the copies at issue was governed by the laws of a foreign country. Such copies are not "made under" the U.S. Copyright Act. Unauthorized importation of them triggers liability under §602 and unauthorized distribution within the U.S. triggers liability under §106(3).

A. The Plain Language Of The Contemporaneously-Drafted Sections 109 and 602, Surrounding Context In The Copyright Act, and International Choice of Law Conventions Support The Second Circuit's Holding

Section 602(a)(1) of the Copyright Act states:

> [i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

17 U.S.C. §602(a)(1). Various exceptions to this right are set forth in subsections (3)(A) to (C), specifically, importation for government use, the "personal baggage" exception, and importation for scholarly, religious or educational purposes. *See* 17 U.S.C. §§602(a)(3)(A)-(C).

The next subsection, §602(b), distinguishes between importation that can be enforced by U.S. Customs and importation that is simply "prohibited" and subject to civil suit:

> [I]mportation is prohibited ... where the making of the copies would have constituted an infringement of copyright if this title had been applicable....[However,] the United States Customs Service has no authority [over] ... copies ... lawfully made.

17 U.S.C. §602(b) (emphasis added). Thus, while the plain language of §602 encompasses parallel imports, *i.e.*, authentic copies "acquired outside the United States" and imported "without authority" (§602(a)), it limits the remedy against such parallel imports to civil suit, not Customs enforcement (§602(b)). *See, e.g., Quality King*, 523 U.S. at 146-47; *accord* 2 GOLDSTEIN ON COPYRIGHT §7.5.2 (2007) at 7:130.1 ("Section 602(a) encompasses both piratical and gray market goods.").

In *Quality King*, the Court held that the §602 parallel importation right nevertheless can be limited by the §109 first sale defense in some instances – namely, when the copy at issue was made in the U.S. ("made under this title") with the copyright owner's authorization. Section 109 states:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. §109(a) (emphasis added); *cf. Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). The upshot of *Quality King* is that once the first sale doctrine attaches to a copy (by means of lawful making in the U.S., and ownership), the copyright owner cannot control subsequent distribution even if that distribution involves export and re-importation that otherwise would violate §602. But *Quality King* further suggested, and the plain language and legislative history of the statute require, the opposite result when the copy is made abroad.

1. *Quality King* determined that a copy "made under the laws of a foreign jurisdiction," as here, is not "lawfully made under this title."

In *Quality King*, the Court supported its application of the first sale doctrine by, among other things, reasoning that its decision would not moot §602(a). The Court explained that §602(a) would still "encompass[] copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Quality King*, 523 U.S. at 147. While some of Petitioner's *amici* dismiss this description as *dicta*, it was at the very least significant in construing the statute to avoid violating the cardinal principle against superfluity. *See, e.g., TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) ("statute ought ... to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.").

Moreover, the Court further explained the remaining applicability of §602 by citing an example that, with a couple of immaterial substitutions, precisely describes this case:

> If [Wiley] gave the exclusive United States distribution rights – enforceable under the Act – to the publisher of the United States edition and the exclusive [Asian] distribution rights to the publisher of the [Asian] edition ... presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of §109(a). The first sale doctrine would not provide the publisher of the [Asian] edition who decided to sell in the American market with a defense to an action under §602(a) ... or, for that matter, [provide a defense] to an action under §106(3) if there was a distribution of the copies...."

Quality King, 523 U.S. at 148. The only difference here is that the owner asserting the first sale doctrine is not the "publisher of the [foreign] edition" (the first owner of that copy), but rather is a subsequent owner, the Petitioner. But the statute cannot reasonably be construed to treat them differently. Both were owners at one time of the same copy, and their transaction does not change whether that copy was "lawfully made under this title" or not. Moreover, if the statute were construed that way, it would be trivial for a foreign publisher simply to transfer title of a copy (*e.g.*, to a shell entity) before importing it.

Precedent and choice of law conventions both support distinction between domestic and foreign made copies. This Court has held that a copyright owner's exclusive rights under Title 17, including the reproduction right and distribution right, do not apply to activities outside the United States. *See United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908); *accord* 4 NIMMER ON COPYRIGHT §17.02, at 17-19 (2009) ("[C]opyright laws do not have any extraterritorial operation."); *cf. Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454-55 (2007)

(same for U.S. patent law).[3] International copyright treaties similarly treat the "lawfulness" of making a reproduction as the province of the nation in which it occurred. *Cf.* Berne Convention for the Protection of Literary and Artistic Works, art. V (Sept. 28, 1979). And more generally, international conventions look to the site where conduct occurred, an act was substantially performed, a contract was intended to be performed, or the residence of the party providing the service at issue, to determine choice of law. *See, e.g.*, The Convention on the Law Applicable to Contractual Obligations 1980 (the "Rome Convention"); The Rome I Regulation (Regulation (EC) No 593/2008 of the European Parliament (June 17, 2008); Restatement (Second) of Conflict of Laws, American Law Institute (2012) at §§145, 186-187. While these conventions provide for other factors to be taken into account where relevant, such as a contractual choice of law provision, none have been presented in this case. *See, e.g.*, Joint Appendix at 65. There is no reason to depart from the presumption here.

A contrary result would defy logic. If Wiley authorized a foreign printer to make 1,000 copies, and the printer instead made 5,000, its making of the

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[3] As Wiley's brief aptly explains (at 26-28), a national statute can grant the *eligibility* and status of intellectual property protection in a *work* created abroad (or in the case of patent law, an *invention* conceived abroad and registered in the U.S. Patent & Trademark Office). Indeed, §104 specifies when a foreign work is "*subject to* protection under this title." 17 U.S.C. §104 (emphasis added). But the rights and limitations accordant with that status, including *making copies* (or in the case of the Patent Act, making or selling the invention), only apply to acts occurring within the jurisdiction of the nation.

latter 4,000 copies presumptively would not be actionable as infringement under the U.S. Copyright Act even though they exceeded Wiley's authorization. Making them may well have been "unlawful," but if any copyright law was violated, it would be the copyright law of another jurisdiction, not Title 17. Conversely, if the foreign printer made only the 1,000 copies authorized, one still cannot say they were "made under this title." They may well have been "lawfully made," but the laws of the relevant jurisdiction (and perhaps the parties' contract) determine that, not Title 17 of the U.S. Act.

2. Plain meaning and context demonstrate that "made under this title" means making the copy was governed by the U.S. Copyright Act.

The Court has held, in another case of statutory construction, that the word "under" followed by citation of a statute means "subject to or governed by" the cited statute. *See Ardestani v. INS*, 502 U.S. 129, 135 (1991). Petitioner nevertheless argues that "lawfully made under this title" in this case means only that the copy *would have* been lawful *if* U.S. copyright law applied. But several principles of statutory construction refute that argument.

First, language elsewhere in the Copyright Act demonstrates that Congress actually *uses* the phrase "would have ... applied" when that is what it means. Section 602(b) prohibits importing piratical copies when the making of the copies "*would have* constituted an infringement of copyright *if* this title

had been applicable." 17 U.S.C. §602(b) (1997) (emphasis added). One must presume that Congress' decision to use different language in §109 was purposeful, and thus that "lawfully made under this title" does not mean "would have been lawful ... if this title applied." *See, e.g., Russello v. United States*, 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress act[ed] intentionally and purposely.... We refrain from concluding here that the differing language in the two subsections has the same meaning in each.").

Second, Congress' use of the phrase "under this title" elsewhere in the Copyright Act confirms that it refers to activity that is actually governed by the U.S. Copyright Act. For example, §601 imposed the U.S. manufacturing requirement upon works "protected under this title." There is no dispute that this clause referred to works *actually* protected by the U.S. Copyright Act, not works that could be or would have been protected if this section had applied. Indeed, the Copyright Register suggested that publishers could avoid the manufacturing requirement for a work simply by abandoning claim to U.S. Copyright.[4] Doing so would remove the work from protection "under this title." *See also* 17 U.S.C. §602(a) (conferring importation right upon the "owner of copyright *under this title*," meaning the owner of an existing United States copyright); *cf.* 17

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[4] *See* Hearing on H.R. 2223 (Oct. 2, 1975) (Statement of Barbara Ringer, Register of Copyrights) at 383-84 (citing letter from Dan Lacy, Senior Director of Government Affairs, McGraw-Hill, Inc.); *infra* n. 6 (sunset).

U.S.C. §104A (any "work that is restored *under this section* shall subsist for the remainder of the term of copyright...." meaning that the section actually did apply and the rights in the work were actually restored). *Compare* 17 U.S.C. §104, *supra* n. 3.

And third, the other appearances of the complete phrase "lawfully made under this title" in the Copyright Act also are reasonably read as referring to activities governed by Title 17. *See* 17 U.S.C. §109(c) (public display right), §110 (classroom exception), §1001(7) and §1006(a) (Audio Home Recording Act).[5] Wiley's thorough analysis of these provisions (Wiley Br. at 28-34) need not be repeated here.

3. Applying the first sale doctrine to foreign made copies would effectively moot §602(a)(3).

Interpreting "lawfully made under this title" presumptively to mean made in the U.S. not only is necessary to reconcile the first sale doctrine with the expanded rights under §602, it also is necessary to reconcile it with §602's exceptions. A statute must be construed so that "no clause, sentence, or word shall be superfluous, void, or insignificant." *TRW*, 534 U.S. at 31; *see also Ratzlaf v. United States*, 510

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[5] In some instances, copyright provisions other than the first sale doctrine, and/or provisions outside the Copyright Act, may operate to prevent what Petitioner has called "absurd" results (results that, in any event, are not "absurd" but may be at odds with the desires of copyright users). *See infra* at 34, n. 12.

U.S. 135, 140-41 (1994) (courts should avoid interpreting statutory terms as "surplusage" or "superfluous" to other terms in the same statute).

Section 602(a)(3) recites three exceptions to the prohibition against importing copies acquired outside of the United States: (A) importation "for the use of the Government;" (B) importation of "no more than one copy" for "private use" that arrive as part of a traveler's "personal baggage;" and (C) importation for "scholarly, educational, or religious purposes and not for private gain." Petitioner's proposed application of the first sale doctrine to foreign-made copies would essentially make these exceptions superfluous. The first sale doctrine would make them freely alienable even before any importation occurred, so no other exception would be needed.

Indeed, if the first sale doctrine applied upon the authorized making and sale of a copy abroad, a traveler could bring home 10 copies or 100 copies or any number of copies. But it does not. As the Court explained in *Quality King,* it is the §602(a) exceptions, not the first sale doctrine, that "protect the traveler who may have made an isolated purchase of a copy of a work that *could not be imported in bulk for purposes of resale.*" 523 U.S. at 148 (emphasis added).

4. Applying the first sale doctrine only to domestic copies is most consistent with the Manufacturing Clause (§601).

In addition to mooting the exceptions of §602(a), Petitioner's interpretation cannot reasonably be squared with one of the most substantial compromises of the 1976 Act – the temporary retention of a U.S. manufacturing clause (§601), which expressly limited the number of foreign-made copies anyone (including the copyright owner) could import. *See* 17 U.S.C. §601.

The 1961 Register's Report explained the genesis of the manufacturing clause, enacted in 1891 and requiring U.S. manufacture of books and other works in order to secure a U.S. copyright:

> [In the 19th century], piratical printing of foreign works had become such a large part of the domestic printing industry that the printers opposed any extension of copyright to foreign works unless their interests were protected. They insisted upon requiring printing in the United States as a condition of U.S. copyright, not only for foreign works but for the works of U.S. authors as well.

Staff of House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* (Comm. Print 1961) at 119-20 (hereinafter "*Copyright Law Revision*," *Pts.* 1-6).

To the delight of foreign authors and the U.S. publishing industry (whose printing options were severely curtailed by the manufacturing clause), the Copyright Office initially recommended eliminating

the manufacturing clause. Accordingly, the Office excluded it from the preliminary draft bill. But after sustained and vigorous advocacy from the U.S. printing trade, a compromise was reached: the clause would remain, but would provide exceptions for fewer than 2,000 copies, and have a sunset date of 1982 (subsequently revised to 1986).[6] This compromise was adopted in relevant part, and the statute as enacted stated:

> Importation into *or public distribution in* the United States of copies ... of nondramatic literary material that is ... protected under this title is prohibited unless ... manufactured in the United States or Canada.... The provisions [herein] ... do not apply ... where the United States Customs Service is presented with an import statement ... in which case a total of *no more than two thousand copies* of any one such work shall be allowed entry.

17 U.S.C. §601 (emphasis added).

The manufacturing clause and its purpose further illustrate that the first sale doctrine (§109) could not be read to apply to foreign manufactured copies. If it did, the manufacturing clause would be moot because *any number* of authorized copies printed by the foreign printer would be covered by the first sale doctrine, and could be imported at will

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[6] *See* Pub. L. 97-215 (July 13, 1982); Pub. L. 111-295 (Dec. 9, 2010). The statute's sunset does not remove its relevance for statutory construction purposes, since it still must be squared with the other provisions of the Act at the time of enactment.

by the copyright owner or any other subsequent owner. No one involved in the copyright revision efforts understood §601 to contain such a loophole. *See, e.g.*, Statement of Barbara Ringer, *supra* n. 4. The more plausible view simply is that §109 does not conflict with §601 for the same reason it does not conflict with §602 – it does not cover copies made under the laws of foreign jurisdictions.[7]

B. Legislative History Confirms That Section 602 Prohibits Unauthorized Parallel Importation, As In This Case

If the Court remains uncertain how to reconcile §109 and §602, it may look to legislative history, including "statements by those in charge of [the bill] during its consideration by Congress." *United States v. Great Northern Ry.*, 287 U.S. 144, 154-55 (1932). The Congressional Committee Reports and Copyright Office revision reports address the very activity that Petitioner performed, and confirm that it is infringing.

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[7] Section 109(a) includes the introductory clause "[n]otwithstanding the provisions of §106(3)," which some might argue avoids conflict with §601 by tying the §109(a) defense *solely* to violations of §106(3) (including §602 by extension). Courts, however, have not unanimously endorsed that meaning of "notwithstanding" in the Act, and some dictionaries differ on the plain meaning. *Cf., Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178, 1199 n.14 (Fed. Cir. 2004) ("We leave open the question as to when § 107 [which begins, "Notwithstanding the provisions of §106 and §106A..."] might serve as an affirmative defense to a prima facie violation of §1201 [or other sections besides §106 and §106A].").

1. Congress and the Copyright Office drafting committee expressly stated that the importation right was expanded to cover unauthorized parallel importation.

In the last of the six committee prints ordered by Congress to summarize the copyright revision proceedings, the Copyright Office explained the scope of the newly revised importation right as follows:

> In the second situation covered by section 602, the copies ... were lawfully made but their distribution in the United States would violate the exclusive rights of the U.S. copyright owner. *This would occur, for example, where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country.* [It would] not be practicable for the Bureau of Customs to enforce a prohibition [at the border] against importation in this situation.... On the other hand, as noted above, unauthorized importation in this situation for the purpose of public distribution in the United States *would be an infringement and could be enjoined.*

Copyright Law Revision Pt. 6 at 149-50 (emphasis added).[8] Petitioner's copies were not piratical, so could not be stopped by customs. Their distribution

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[8] The bill being described (H.R. 4347) contained the pertinent importation and first sale language that was eventually enacted and is at issue in this case.

is, however, "an infringement and could be enjoined." *Id.*

In the House Report accompanying the 1976 Act, Congress echoed this view. *See* H.R. Rep. No. 94-1476, at 169-170 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5785. Petitioner argues (at 45) that §602's "non-piratical" clauses were meant to apply to a copy that was legal where made but would have been illegal to make in the U.S. But Congress indicated that in Petitioner's hypothetical, the copies actually would be treated as "piratical" and subject to *exclusion and seizure* by U.S. Customs. Petitioner's actual conduct only is subject to a civil injunction and other civil remedies. *See* 4 William F. Patry, PATRY ON COPYRIGHT §13:42 (2010) at 13-89.

The Senate Report contained a nearly identical explanation, stating:

> IMPORTATION OF 'PIRATICAL' COPIES
>
> ...Customs Service could exclude copies ... that were unlawful in the country where they were made; it could also exclude copies ... which, although made lawfully under the domestic law of that country, *would have been* unlawful if the U.S. copyright law ... applied. A typical example would be a work by an American author which is in the public domain in a foreign country because that country does not have copyright relations with the United States. The making and publication of an authorized edition would be lawful in that country, but the Customs Service could prevent the importation of any

> copies of that edition. [*Compare* Petitioner's Br. at 45-46].
>
> IMPORTATION FOR INFRINGING DISTRIBUTION
>
> The second situation covered by section 602 is that where the copies ... were lawfully made but their distribution in the United States would infringe the U.S. copyright owner's exclusive rights [*i.e.*, Petitioner's actual conduct]. As already said, the mere act of importation in this situation would constitute an act of infringement and could be enjoined.

S. Rep. No. 93-983 (1974) (emphasis added).

These explanations by Congress become even more meaningful when read in the overall context of the revision efforts. The Copyright Register's original revision report to Congress in 1961 recommended leaving parallel import enforcement *out* of the Copyright Act altogether, instead viewing it as a private contract matter. *See Copyright Law Revision Pt.* 1 at 125-26. But the revision panel persuaded the Office to change its position, arguing, for example, that enforcement merely by contract is "expensive, burdensome, and, for the most part, ineffective." *Copyright Revision Pt. 2* at 212 (statement of Horace Manges); *see also id.* at 213 (statement of Sidney Diamond) ("no possibility" of contract remedy in many situations); *Copyright Law Revision Pt. 4* at 209 (statement of Horace Manges) ("it is extremely difficult and sometimes impossible to find out who is the person that should be sued" for breach).

Subsequent bills all included a prohibition on unauthorized parallel importation.

2. "Lawfully made under this title" appears to have been added to §109 to avoid conflict with the newly expanded importation right.

The evolution of language in the bills leading to the 1976 Act provides yet further support for Wiley's position. In 1963, following the Copyright Office's publication of thirty-four Congressionally commissioned studies and the Register's Report, Congress directed the Copyright Office to prepare a "Preliminary Discussion Draft" bill to revise the copyright laws. The Copyright Office's Preliminary Discussion Draft was published in a House committee print in 1964, and discussed throughout 1964 "at a series of eight meetings of an advisory group of specialists convened by the Register, and in letters of comment." *Copyright Law Revision Pt. 3* (Forward). Three features of the Preliminary Discussion Draft bill are significant to this case:

- (at §43) it proposed eliminating the manufacturing clause, the provision that essentially forced a publisher to print in the U.S. in order to sell here unless it abandoned U.S. copyright protection.
- (at §44) it expanded the importation right from "piratical copies" to all copies "imported without the authority of the owner of the

exclusive right to distribute" [unauthorized parallel imports].

• (at §5) it retained the first sale defense (§27 of the 1909 Act), but changed the triggering act from "lawful possession" to "first sale or other transfer of ownership."

While the newly expanded parallel importation right was met with significant support, the advisory panel recognized a possible conflict with the first sale doctrine as then written:

> [IRWIN] KARP: Under [the preliminary draft bill], importation of copies that were legally made in the first place becomes infringement if the copies are imported without the authority of the owner of the exclusive right to distribute copies. How far down the line of distribution will this extend? If a bookseller buys copies from a jobber who legally bought them from a German publisher, would he be guilty of infringement? ...
> [ABE] GOLDMAN [Copyright Office General Counsel]: I should think the result of this section would be that anybody who imports without authority into the United States for the purposes of distribution to the public would be an infringer....
> KARP: ...What about the bookseller's sale? ... [T]here is a section [in the Preliminary Draft Bill] now somewhat similar to old section 27 [the first sale doctrine] ... If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?

> GOLDMAN: ...Your question would be whether this represents a sale of the copy that does exhaust the right...
> KARP: You are right, Abe ...
> [JULIAN] ABELES: Well, everybody down the line is selling without authority, regardless of whether it is imported or not. If he sells it, he is liable...

Copyright Law Revision Pt. 4 at 210-11; *see also id.* at 119 (Statement of Harriet Pilpel) (noting "at the present time ambiguity and vagueness in the law").

In direct response to these meetings and at the direction of Congress, the Copyright Office redrafted the bill. The revised first sale provision included, for the first time, the phrase "lawfully made under this title." Congress introduced this bill verbatim, as S. 3008 and H.R. 11947 (the "1964 Revision Bill") and then directed the Copyright Office to solicit further public comment and discussion. The Copyright Office (future Register of Copyrights Barbara Ringer) explained the change in first sale language (now §7) from the prior bill to this one as "an effort to meet [the] objections that were raised, quite properly." *Copyright Law Revision Pt. 5* at 66.

Ms. Ringer went on to note, however, that advisory committee panelists recently had raised concerns that the new formulation of the first sale doctrine may permit abuse of the Act's compulsory license provisions. *Id.* at 66-67. Specifically, a copy made under compulsory license for a particular purpose (such as the mechanical license or ephemeral license) would also qualify as "lawfully

made under this title" and thus would be freely alienable under the first sale doctrine – including for commercial distribution by the user. This was not the intent of the compulsory license provisions. *Id.* Ms. Ringer observed that this problem may be solved by "changing 'lawfully made under this title' to 'made under the authority of the copyright owner,'" but warned, "I think this raises a substantive question and probably deserves some discussion." *Id.* at 67. The change, of course, would have expanded the first sale doctrine to cover foreign-made copies like Petitioner's. But after further consideration, this was not the approach the Office and Congress took. Instead, the relevant compulsory license provisions themselves were amended to "prevent possible abuse," leaving the "lawfully made under this title" clause in the first sale doctrine unchanged. *See Copyright Law Rev. Pt. 6* at 29.

The operative phrase "lawfully made under this title" remained unchanged throughout subsequent revision bills, and resolves the perceived tension between §109 and §602. *Cf.* William Patry, COPYRIGHT LAW AND PRACTICE 166-170 (1997 Supp.) (since the provisions of Title 17 do not apply extraterritorially unless expressly so stated, the words "lawfully made under this title" in §109 must mean "lawfully made in the United States"); *accord* 1 GOLDSTEIN ON COPYRIGHT § 5.6.1, at 604; *accord* Nimmer & D. Nimmer, NIMMER ON COPYRIGHT §8.12[B], at 8–143 (1991).

* * *

For all of the foregoing reasons, §109 is not a defense to Petitioner's importation and public

distribution of copies that were made under the laws of foreign countries.

II. CONGRESS HAD SOUND POLICY BASES FOR GRANTING COPYRIGHT OWNERS PROTECTION AGAINST UNAUTHORIZED PARALLEL IMPORTS

It cannot be disputed that the 1976 Copyright Act involved normative economic judgments that would impact the creators, owners, distributors, broadcasters, lenders and users of copyrighted works. In the course of over twenty years of deliberations, hearings, and public comment periods, Congress considered countless pages of testimony and written comments from lawyers, business leaders, economists, and others regarding the needs and concerns of the various groups and industries. Congress' judgment on these issues should not lightly be second-guessed. *See Eldred v. Ashcroft*, 537 U.S. 186, 204 (2003) ("[W]e turn now to whether [the statute] is a rational exercise of the legislative authority conferred by the Copyright Clause. On that point, we defer substantially to Congress.").

Nevertheless, with the statutory text and legislative history contradicting their desired reading of the statute, Petitioner and his *amici's* arguments essentially boil down to a request to change the law for policy reasons. Even if this Court were the proper forum for doing so, the arguments are refuted by a significant body of literature, data, and experience.

A. Market Segmentation is an Economically Sound, Socially Beneficial, and Long Accepted Practice in the Copyright Industries and Throughout Our Economy.

Both anecdotal history and economic studies have shown Congress' judgment to be sound with respect to the benefits and increased overall social welfare produced by §602 – including what Petitioner calls "price discrimination" (also known as market segmentation). There are a variety of rational and widely beneficial reasons for a copyright owner to prevent copies made for sale abroad from entering the United States. Some *Amici*, for example, introduce variations in product presentation or quality to conform to the demand in various regional markets. Price in each market may be driven by multiple factors, including distribution channels and differing characteristics of regional demand curves. *See generally* William J. Baumol & Daniel G. Swanson, *The New Economy and Ubiquitous Competitive Price Discrimination: Identifying Defensible Criteria of Market Power*, 70 ANTITRUST L. J. 661, 665 (2003). Examples include region-specific textbooks (as in this case), test preparation materials, software, and other copyrighted works.[9]

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[9] Price discrimination has long existed even within domestic markets, with little or no controversy. *See, e.g.*, Sofronis Clerides, *Product Selection as Price Discrimination in the Market for Books*, NATIONAL BUREAU OF ECONOMIC RESEARCH (September 1999), http://www.nber.org/Franco_American/clerides.pdf (describing as "realistic" and "intuitive" the economic rationale of book publishers' varying domestic versions and distribution agreements, such as releasing higher-priced hard cover formats before paperback).

While these practices often benefit consumers around the world by increasing access to otherwise-unaffordable or unobtainable works, differentiated pricing is not simply a matter of United States consumers subsidizing foreign markets. It benefits U.S. consumers in the form of newly created copyrighted works (made possible by foreign exploitation), lower domestic prices, expansion and investment in U.S. companies, and employment. *See, e.g.*, Robert D. Anderson, et al., *Intellectual Property Rights and International Market Segmentation in the North American Free Trade Area*, in COMPETITION POLICY AND INTELLECTUAL PROPERTY RIGHTS IN THE KNOWLEDGE BASED ECONOMY 397, 402 (2007). Indeed, "[w]ithout market segmentation ... the domestic consumer would not receive the same level of product quality and variety, service, and information that would prevail under market segmentation." *Id.* Market segmentation permits the producer to capture a larger portion of the demand curve for the product. It also results in an increase in output, allowing company-wide fixed costs to be spread over a wider base, and economies of scale to lower production cost and thus prices. *See, e.g.*, Gene M. Grossman, *Promoting New Economic Activities: A Survey of Recent Arguments and Evidence*, OECD Economic Studies (1990), http://www.oecd.org/eco/productivityandlongtermgrowth /34306065.pdf, at 88, 96-98.

Thus, leading economists and legal scholars repeatedly have concluded that "most price discrimination is socially beneficial in that it produces higher output and thus yields greater

consumer benefits than forced nondiscriminatory pricing." 14 Herbert Hovenkamp, Antitrust Law P 2419 (2d ed. 2006) 2340c, at 139; *see also* J.H. Reichman & Pamela Samuelson, *Intellectual Property Rights in Data?*, 50 VAND. L. REV. 51, 116 (1997) (a new intellectual property right in databases could give "data suppliers ... more incentives to favor academic users through product differentiation and price discrimination," leading to "more and better products[,] lower prices for the use of such data, or both.").

Given the economic and social benefits of price discrimination, the practice is reflected not just in copyright law, but throughout the U.S. and foreign intellectual property laws.[10] The pharmaceutical industry is a prime example. United States and foreign patent laws permit pharmaceutical companies to introduce life-saving drugs to third world countries at a fraction of the price charged in the United States. *See, e.g.*, Kevin Outterson, *Pharmaceutical Arbitrage: Balancing Access and Innovation In International Prescription Drug Markets*, 5 YALE HEALTH POL'Y L. & ETHICS 193 (2005) (describing how differential pricing, and

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[10] Price discrimination also is deeply ingrained in consumers' everyday economic life. *See, e.g.*, Glen O. Robinson, *Personal Property Servitudes*, 71 U. CHI. L. REV. 1449, 1505-506 (2004) ("Price discrimination is an accepted feature of modern markets, as anyone knows if she has bought an airline ticket, used a special discount card at the grocery store, or negotiated a price for a new car."); Mark Klock, *Unconscionability and Price Discrimination*, 69 TENN. L. REV. 317, 331 (2002) ("Senior citizens and college students, who are often less willing or able to pay as much for goods and services, commonly receive discriminatory discounts.").

intellectual property-based enforcement thereof, is helping to fight the AIDS epidemic). As long as companies do not collude with one another, federal law supports this practice. *See In re Brand Name Prescription Drugs Antitrust Litig.*, 186 F.3d 781, 787 (7th Cir. 1999) (Posner, J.) (the question is not whether "the manufacturers of brand name prescription drugs engage in price discrimination, showing that they have market power. Everyone knows this. The question is whether that market power owes anything to collusion."). Market segmentation not only enables access to a drug to millions of people who would not otherwise have access, but also fuels further research and development of new drugs by the pharmaceutical companies, which can then introduce the new drugs in the United States as well as other markets. *See* Outterson, 5 YALE HEALTH POL'Y L. & ETHICS at 195-96. The overall effect is to provide enormous benefits to society, and improved quality of life. This Court's decision in the present case could have profound implications on these practices.

Market segmentation also provides enhanced investment opportunities in and for U.S. copyright owners, and allows U.S. copyright owners to more efficiently utilize the exclusive rights granted to them under the Copyright Act.[11] It enhances the

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[11] The use of price discrimination to make more efficient use of an intellectual property right is a time tested practice. *See, e.g.*, Robert P. Merges, *The Concept of Property in the Digital Era*, 45 HOU. L. REV. 1249, 1265 (2008) n. 65 (in the 1840's, opera composer Giuseppe Verdi adopted "what economists now call second degree price discrimination" in response to small theaters ignoring his copyrights and balking at his fixed prices, which they deemed too high).

value of a U.S. copyright. Congress considered and gave weight to this factor throughout the debates regarding the 1976 Act, as illustrated by the intense study of the manufacturing clause, the debates regarding term of copyright, the revisions to protection of foreign works, and other provisions affecting the value of a U.S. copyright.

Finally, market segmentation sometimes is legally *necessary* in order for U.S. companies to comply with the regulations of foreign countries or to reduce legal risk in such countries. For example, in the publishing industry, privacy and defamation laws can vary substantially from country to country. *See, e.g., Ehrenfeld v. Bin Mahfouz*, 518 F.3d 102, 104 (2d Cir. 2008). In the software industry, data protection and security laws vary. *See, e.g.*, McAfee, Inc., U.S. and Global Data Protection Laws, http://www.mcafee.com/us/regulations/index.aspx (last visited August 21, 2012). Companies that do business internationally must craft their product versions and distribution channels in order to comply with these laws. If the law freely permitted consumers to engage in arbitrage, it is conceivable that companies could unwittingly be subject to noncompliance claims in far-flung, unintended jurisdictions.

B. The Long-Prevailing Interpretation of Sections 602 and 109, and the Second Circuit's Decision Here, Are Economically and Legally Sensible.

The ability of copyright owners to continue selling market-specific copies of works significantly depends upon maintaining the interpretation of §109 and §602 that have prevailed for the past quarter century, and which Congress intended. Without protection against "free riding" by unauthorized distributors, the copyright owner's predominant "standard" market (*e.g.*, the U.S. market) could easily be undercut by an influx of the copyright owner's own competing goods that were made for another market. *See, e.g., Pearson Educ., Inc., et al. v. Arora, et al.*, 717 F. Supp.2d 374 (S.D.N.Y. 2010) (distributor imported without authorization sixty-seven different foreign titles from four major publishers, and resold them online to U.S. customers). The long-term result likely would be detrimental to everyone except the importer/reseller: an increase in textbook prices (or other copyrighted product, as the case may be), a decrease in new product investment, and a decrease in innovation and product choice. *See, e.g.*, U.S. Gov. Accountability Office, REPORT TO CONGRESSIONAL REQUESTERS, COLLEGE TEXTBOOKS: ENHANCED OFFERINGS APPEAR TO DRIVE RECENT PRICE INCREASES (July 2005), http://www.gao.gov/new.items/ d05806.pdf, at 24.

Petitioner and his *amici* nevertheless predict dire consequences if this Court does not expand the first sale doctrine to include foreign-made copies. Indeed, they appear to suggest that secondary markets for copyrighted works will virtually disappear. There is no tangible basis for this suggestion. To begin with, the law Petitioner seeks to overturn has been in effect for more than a quarter

century, through both economic booms and recessions. *See* Wiley Br. at 54-55. The copyright industries as well as secondary markets for copies continue to exist and profit, including the markets for textbooks. *See, e.g.*, College Store Industry Financial Report, 2012 ed. (National Association of College Stores), http://www.nacs.org/research/industrystatistics/higheredfactsfigures.aspx (estimated new books sales in U.S. colleges of over $10 billion, with used book sales approximately half that). No examples have been cited of U.S. companies moving their manufacturing operations abroad in order to circumvent the first sale doctrine. And *Amicus*, for its part, is not aware of any such examples.

Petitioner also suggests that it is unfair and unworkable, once a foreign-made copy arrives in the United States, for subsequent purchasers to unwittingly have no rights of alienation. Petitioner implies that any bona fide purchaser in the U.S. should receive the first sale right, in order to (among other things) avoid imposing upon the consumer the need to determine where a copy was manufactured or anything else that could limit alienability. But existing statutory exceptions within the first sale statute already substantially prevent the perfect certainty that Petitioner desires. Not all copies are freely alienable under the statute, and the "status" of a copy is not always easily determinable.

For example, §109 recites express limitations to the first sale right that apply to works manufactured before copyright restoration, and further limitations and exceptions for computer programs, musical

works and sound recordings. *See* 17 U.S.C. §109(a) (limitations with respect to works manufactured before copyright restoration); *id.* at §109(b) (limitations applying to computer programs, musical works and sound recordings). Moreover, counterfeit copies – regardless of the quality of counterfeit and whether they are distinguishable by the naked eye – expressly are not covered by §109. They are indisputably not "lawfully made under this title." *Id.* With ever-improving counterfeiting technology, at any given time there are undoubtedly many counterfeit copies owned by domestic consumers that, whether they know it or not, are not entitled to redistribute their copy. The present statute accepts this uncertainty.

In short, the holding urged by Petitioner will not create the consumer certainty Petitioner seeks. Such certainty, if possible at all (to say nothing of its wisdom), would require statutory amendment.

Moreover, Petitioner and his *amici* wrongly suggest that the first sale doctrine alone protects them from a variety of hypothetical problems, which they argue will become real if the Court affirms the Second Circuit's ruling. For example, they speculate that copyright owners will abuse downstream control of foreign-made copies, suing downstream resellers even *after* the U.S. copyright owner authorized importation and domestic sale of copies. Petitioner presents no examples of such suits occurring. Moreover, the hypotheticals described by Petitioner

and his *amici* may be subject to other legal scrutiny both within and outside the Copyright Act.[12]

In sum, there simply is no sound reason to change the rules that have been in effect for more than a quarter century. *See, e.g., CBS, Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984) (first sale doctrine does not protect unauthorized import of foreign made copies). The Internet has brought about a monumental change in the avenues of doing business, and lowered or virtually eliminated distance-related barriers to regional market entry. Petitioner argues that these developments merit a change in the way §109 and §602 are interpreted. But as this Court has observed,

> [f]rom its beginning, the law of copyright has developed in response to significant changes in technology.... As new developments have occurred[,] it has been the *Congress* that has fashioned the new rules that new technology made necessary.

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[12] *See, e.g., Omega S.A. v. Costco Wholesale Corp.*, No. CV 04–05443 TJH, 2011 WL 8492716 (C.D. Cal. Nov. 9, 2011) (district court holds, following remand from this Court, that the copyright misuse doctrine precludes Omega from using copyrighted designs on the backside of its Swiss-made watches in order to control distribution in the United States); *see also Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990) (applying copyright misuse defense); *cf.* Robert P. Merges, *An Estoppel Doctrine for Patented Standards*, 97 CAL. L. REV. 1 (2009) at 3-4 (comparing common law estoppel to waiver, implied license, misuse, and antitrust as limitations on intellectual property enforcement.).

Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 430 (1984) (emphasis added); *see also Quality King*, 523 U.S. at 153 ("the wisdom or unwisdom of governmental restraints on 'gray market' or the practice of 'parallel importation' ... is not a matter that is relevant to our duty to interpret the text of the Copyright Act").

III. THE FIRST SALE DOCTRINE DOES NOT IMPACT, AND SHOULD NOT IMPACT, LICENSED COPIES OF WORKS

For the reasons described in the preceding Parts I and II, *Amici* maintain that Petitioner's activities were not covered by the first sale doctrine and that the decision below should be affirmed. But if the Court were to rule otherwise, then it should do so in a manner that avoids jeopardizing the integrity of countless thousands of existing *licenses* that cover copies of works (or, for that matter, licenses covering patented articles). Segmenting markets is but one effect of some licenses. More importantly, the varied and many ongoing rights and responsibilities that are typically specified in licenses provide a critical level of clarity and ongoing expectations to licensors and licensees in the software, information publishing, and other content-based industries.

Software companies, for example, realized long ago that the nature of mass market (as opposed to custom built) software does not typically lend itself to sale. Constantly evolving and changing desktop environments, and many concurrently operating software programs, made technical support and

regular bug fixes desirable features for consumers. Software companies also learned that providing upgraded software periodically, often at a discounted price, helped retain their customers. The initial payment for the first version of the software often is only the beginning of the relationship between the publisher and customer. Thus, the software creators "who own the software copyrights have routinely used licenses as the primary vehicle for distributing [mass market] software to consumers. After many years of this practice, consumers now recognize that when they purchase a copy of a software program, they are buying a license to use it and not actually buying the software itself." Keith Kupferschmid & Scott Bain, *Software Licenses: The Battle Continues*, INFORMATION TODAY 25:10 (2008) 1, 2008 WLNR 22086885.

While licenses provide to the copyright owner the certainty and uniformity necessary to make mass software distribution economically feasible, customers also typically benefit by acquiring rights not provided by copyright law. Examples may include permitting (i) multiple backup and archival copies stored on various media or locations; (ii) multiple log-ins or connections, creating multiple copies; (iii) modification and adaption of the code; (iv) copying and distribution of the software documentation; (v) sublicensing for purposes of outsourcing; (vi) access to upgrades, bug fixes, technical support, and (vii) other rights. *See* LicenseLogic LLC & Software & Information Industry Association, CERTIFIED SOFTWARE MANAGER STUDENT MANUAL (2004) at Section 4: Understanding

License Agreements 4:1–4:62, http://licenselogic.com/BrowseProducts/Course_Manuals.

Similarly, additional and different rights often are provided in licenses for other copyrighted products such as test banks, research databases, or enhanced electronic versions of academic or scientific texts. *See, e.g.*, Oracle Certification Program Candidate Agreement, http://education.oracle.com/education/pdf/ocp_candidate_agreement.pdf (visited August 21, 2012); *see also ProCD, Inc., v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996) (Easterbrook, J.) ("a law student uses the LEXIS database [for free] under a contract limiting the results to educational endeavors," but presumably may not "resell his access to this database to a law firm from which LEXIS seeks to collect a much higher hourly rate.").

By varying some or all of the foregoing terms, and/or other terms, the copyright owner can provide a price-appropriate product tailored to the varying needs of different markets. *See, e.g.*, *ProCD*, 86 F.3d at 1454 ("Terms and conditions offered by contract reflect private ordering, essential to the efficient functioning of markets."); *id* at 1450 ("Instead of tinkering with the product ... ProCD turned to the institution of contract.").

Like Wiley's *sale* of regional textbooks in the present case, copyright owners' *licensing* of market-specific products is dependent upon an effective legal regime. Decisions that "undermine software companies' ability to rely upon their licenses ... would instead force them to assume that courts could

treat subsequent possessors as 'owners,' which logically would lead to software companies needing to charge higher prices." Kupferschmid & Bain, *Software Licenses: The Battle Continues* at 51. As it stands, §109's requirement of "owner[ship] of a particular copy" long has been understood to exclude from the first sale doctrine copies obtained by other means, particularly by a software license. *See, e.g., DSC Commc'ns Corp. v. Pulse Commc'ns, Inc.*, 170 F.3d 1354, 1362 (Fed. Cir. 1999); *Cincom Systems, Inc. v. Novelis Corp.*, 581 F.3d 431 (6th Cir. 2009); *cf. Quality King*, 523 U.S. at 146-47. Nevertheless, some parties continue to urge courts to adopt a more expansive application of §109, such as by conflating a license with a sale, and occasionally succeed in doing so at least temporarily. *See, e.g., Vernor v. Autodesk, Inc.*, 555 F. Supp. 2d 1164 (W.D. Wash. 2008) (Court treating software transaction as a "sale" simply because there was (i) a single payment and (ii) no return of the disc was required), *rev'd Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010) (reservation of title, along with restrictions on copying and use, confirm that transaction is a license and not a sale).

The unauthorized online "resale" of licensed versions of software (such as academic, OEM, and regional software), of licensed information products (such as test preparation and certification materials), and of other copyrighted works jeopardize the continued availability of these products and the discounts and customization they offer. *See, e.g.*, OnlySoftwareBlog, April 25, 2011), http://onlysoftwareblog.com/tag/siia/ (last visited August 22, 2012); *Adobe Systems Incorporated v. Hoops*

Enterprise LLC, No. C 10-2769 (N.D. Cal. Feb. 1, 2012) (infringing resale of OEM software). A shift in the law that suggests such licenses may be treated as "sales" and subject to the first sale doctrine, may well cause some copyright owners simply to abandon this practice and return to a single, almost certainly higher price with little or no product differentiation. *See infra* Part II at 28-30. It would also cause mass confusion and upheaval in critical United States industries for copyright owners to learn that their existing licenses are "sales."

In sum, even if the Court rules that the manufacture and sales of Wiley's foreign textbooks is covered by the first sale doctrine, the Court should avoid any implication that such holding affects any copies of works that are licensed.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

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September 7, 2012

AMICUS CURIAE BRIEF

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR THE MOTION PICTURE ASSOCIATION OF AMERICA, INC. AND THE RECORDING INDUSTRY ASSOCIATION OF AMERICA AS AMICI CURIAE IN SUPPORT OF RESPONDENT

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INTEREST OF AMICI CURIAE[1]

The Motion Picture Association of America, Inc. (MPAA) is a not-for-profit trade association founded in 1922 to address issues of concern to the U.S. motion picture industry. Its members include Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc. MPAA's members and their affiliates are the leading producers and distributors of filmed entertainment in the theatrical, television, and home entertainment markets.

The Recording Industry Association of America (RIAA) is a nonprofit trade association founded in 1952 representing the American recording industry. RIAA's record company members include Universal Music Group, Sony Music Entertainment, Warner Music Group, and EMI Music North America. RIAA's members create, manufacture, and/or distribute approximately 85 percent of all legitimate sound recordings produced and sold in the United States.

Copyright protection is essential to the health of the motion picture and music industries and the U.S. economy as a whole. Like the sale of "pirated" copies, unauthorized importation of copies of protected works made overseas and intended only for sale in a foreign market can undercut or eliminate the economic benefit that Congress intended to provide under the Copyright Act. Were this Court to reverse settled law and accept

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[1] Letters consenting to the filing of this brief have been filed with the Clerk of the Court. No counsel for a party authored this brief in whole or in part, and no person, other than amici, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

Petitioner's interpretation of the first sale doctrine, MPAA's and RIAA's members and affiliates could face a significant threat of harm from unauthorized importation, contrary to the balance of rewards and incentives Congress struck in the Copyright Act.

SUMMARY OF ARGUMENT

Enacted to "promote the Progress of Science and useful Arts" by stimulating creativity for the public benefit, U.S. Const. art. I, § 8, cl. 8, the Copyright Act grants copyright holders an exclusive right to control the first sale of tangible copies of protected works, including the right to obtain whatever economic benefits flow from that first sale. In general, once that first sale of a particular tangible copy is made and the copyright holder has realized the economic benefit afforded under the Copyright Act, it has exhausted its exclusive distribution right.

Section 109(a) of the Copyright Act limits the applicability of the first sale doctrine to cases involving tangible copies that were "lawfully made under" the Act. When read in light of the presumption against extraterritorial application of U.S. law and in the context of the Copyright Act as a whole, that language must be understood to refer to copies that are lawfully made in the United States. That is the only reading that gives meaningful effect to Congress's purpose in prohibiting unauthorized importation under § 602. That reading also best serves the purposes of the Copyright Act and the first sale doctrine. If a copyright owner makes or authorizes the making of tangible copies of a protected work outside the United States for distribution exclusively outside the United States, the copyright owner has not fully exercised or benefited from—much less exhausted—its exclusive distribution right under U.S.

copyright law, and it has not reaped the full economic benefit that Congress intended to provide as an incentive for creative activity.

Kirtsaeng and his amici contend that if the Court accepts this natural reading, economic ruin will follow for a litany of interested parties, from commercial retailers to charitable organizations to factory workers to flea-market sellers. This is a curious position, considering that courts have recognized for nearly 30 years that § 109(a) applies only to copies made in the United States, yet there is no evidence this long-recognized principle has actually impaired any important secondary markets or led to imposition of liability on well-meaning librarians, teachers, or garage-sale hosts. Indeed, almost every court to have considered the issue has come out the same way, and Congress has amended the Copyright Act on numerous occasions without disturbing that construction.

The absence of any evidence supporting Kirtsaeng's dire predictions should come as no surprise. This settled understanding of the first sale doctrine has long functioned effectively in conjunction with importation laws, contractual arrangements, and business practices to protect the rights of copyright owners while ensuring a free flow in commerce of copies of copyrighted works. In the motion picture industry, for example, studios' ability to treat national markets separately for purposes of the timing, promotion, or content of theatrical and home video releases can be critical to a film's commercial success. In the music industry, recordings are often released at different times in different countries, depending on the strategic considerations of the local territory. Unauthorized importation could undercut these practices and reduce the value of U.S. movie and music copyrights, particularly where

exclusive distribution rights are held by different entities in different markets. The settled understanding of the first sale doctrine, together with laws against unauthorized importation, protects those practices. At the same time, contractual arrangements facilitate broad public distribution of authorized tangible copies of protected works. Movie studios, for example, regularly authorize distribution of copies of protected works in the United States by retailers or rental services such as Netflix. Such arrangements can allow for distribution of copies made outside the United States. By the same token, numerous exceptions and defenses throughout the Copyright Act—including exceptions to liability for unauthorized importation under § 602—shield isolated acts of importation or distribution that pose only insubstantial harm to the copyright owner.

While Kirtsaeng's parade of horribles is thus unfounded, the threat posed by his preferred view of the first sale doctrine is very real. Extending the first sale doctrine to copies made abroad for distribution in a foreign market could impede authors' ability to control entry into distinct markets, limit their flexibility to adapt to market conditions, or undermine territorial licensing agreements. If accepted, Kirtsaeng's view of the first sale doctrine could thus prevent U.S. copyright holders from obtaining the economic reward Congress intended to provide under U.S. law to motivate investment in creative activity.

ARGUMENT

I. THE FIRST SALE DOCTRINE DOES NOT APPLY TO COPIES MANUFACTURED ABROAD FOR SALE IN A FOREIGN MARKET

A. The Text, Structure, And Purposes Of The Copyright Act Support The Judgment Below

As part of a landmark revision of the Copyright Act in 1976, Congress enacted 17 U.S.C. § 602(a), prohibiting the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." Pub. L. No. 94-553, § 101, 90 Stat. 2541, 2589 (1976). At the same time, Congress amended the first sale doctrine, as codified at 17 U.S.C. § 109(a), to apply only to copies that are "lawfully made under this title."

In *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135 (1998), this Court held that the first sale doctrine imposes a limitation on § 602(a) in cases involving "round trip" reimportation of copies of protected works that are manufactured in the United States. This case presents the distinct question whether the first sale doctrine applies also to copies of protected works that are manufactured and sold abroad and imported into the United States without the copyright owner's authorization. With respect to *this* question, the court of appeals' analysis best harmonizes the text, structure, and purposes of the Copyright Act. Indeed, Kirtsaeng's contrary interpretation deprives § 602(a) of meaningful effect in the very circumstances Congress intended that provision to address. Courts have accordingly long read § 109(a) to apply only to copies made in the United States, and Congress has implicitly approved this interpretation.

1. The text of § 109(a) limits the first sale doctrine to copies lawfully made in the United States

Section 109(a) provides that, notwithstanding the copyright owner's exclusive right to distribute copies of a protected work under 17 U.S.C. § 106(3),

> the owner of a particular copy or phonorecord *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

(Emphasis added.) By its terms, this defense applies only to copies "lawfully made under" Title 17 of the United States Code. A copy that is not made *subject to* or *pursuant to* the U.S. Copyright Act, however, cannot be "lawfully made *under*" that Act. Because a copy made outside the United States is not made subject to or pursuant to U.S. law, it is not "lawfully made under" the Copyright Act.

That natural reading of § 109(a) finds support in the "'longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" *Morrison* v. *National Austl. Bank, Ltd.*, 130 S. Ct. 2869, 2877 (2010) (quoting *EEOC* v. *Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (*Aramco*)). Unless Congress has "'clearly expressed'" an "'affirmative intention ...' to give a statute extraterritorial effect," courts "'presume [the statute] is primarily concerned with domestic conditions.'" *Id.*; *see Restatement (Second) of Foreign Relations Law of the United States* § 38 (1965). This presumption carries particular weight in the intellectual property context,

where the need to avoid international conflicts of law is acute and where "foreign law 'may embody different policy judgments about the relative rights of inventors, competitors, and the public'" in intellectual property. *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 454-455 (2007); *see United Dictionary Co.* v. *G&C Merriam Co.*, 208 U.S. 260, 264 (1908); 7 *Patry on Copyright* § 25:86 (2010).

Consistent with that presumption, when Congress intends a law to apply extraterritorially—including the Copyright Act—it says so expressly. *See, e.g.*, 17 U.S.C. §§ 104(b)(2), 602(b); *Aramco*, 499 U.S. at 258-259 (citing statutes). Here, in contrast, nothing in § 109(a) expresses any intent that the making of copies abroad should be considered to occur "under" U.S. law for purposes of the first sale doctrine. Leading treatises thus agree that the phrase "lawfully made under this title" as used in § 109(a) must mean "lawfully made in the United States," Patry & Martin, *Copyright Law and Practice* 182-183 (2000 Supp.), and that "the first sale defense is unavailable" with respect to copies lawfully made abroad but unlawfully imported into the United States, 2 *Goldstein on Copyright* § 7.6.1.2(a) (3d ed. Supp. 2011); *see also* Patry & Martin, *Copyright Law and Practice* 183 n.84, 210-213; 2 *Nimmer on Copyright* § 8.12[B][6][c] (rev. ed. 2011); 4 *Patry on Copyright* § 13:44 (2012).[2]

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[2] In *Quality King*, the Court noted that applying § 109(a) to copies made *in the United States* but initially sold abroad would not constitute extraterritorial application of U.S. law. 523 U.S. at 145 n.14. In doing so, the Court assumed the copies were "lawfully made under the Act" and *subsequently* sold abroad. *Id.* That holding thus did not extend U.S. law to govern the making of copies abroad, as Kirtsaeng's interpretation would here.

2. Construing § 109(a) to apply only to copies made in the United States is most consistent with § 602(a) and *Quality King*

As the court of appeals observed, the foregoing reading of § 109(a) "best comports with both § 602(a)(1) and [this] Court's opinion in *Quality King*." 654 F.3d 210, 220 (2d Cir. 2011). As Respondent has demonstrated (Br. 38-42), Congress adopted § 602(a)(1) to protect against the harmful consequences of unauthorized importation and to allow copyright owners to maintain control over their entry into different markets without losing the value of their rights under U.S. law, including by entering into market allocation agreements or territorial licensing arrangements. *See also* 654 F.3d at 221 ("[Section 602(a)(1)] is obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work.").

The court of appeals correctly determined that, under Kirtsaeng's interpretation of § 109(a), § 602(a)(1) would fail to serve that function. 654 F.3d at 221 (noting that, under Kirtsaeng's view of § 109(a), "the mandate of § 602(a)(1) ... would have no force in the vast majority of cases"). As this Court recognized in *Quality King*, § 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title'"—namely, "copies that were 'lawfully made' ... under the law of some other country." 523 U.S. at 147. Section 602(a)(1)'s ban on importation of authorized copies acquired abroad serves to protect market allocation agreements under which the copyright owner authorizes the making of copies abroad for distribution exclusively in foreign markets. *Id.* at 147-148. Under

Kirtsaeng's reading of § 109(a), however, § 602(a)(1) could no longer meaningfully advance that purpose.

Kirtsaeng claims (Br. 43-46) it is "irrelevant" that his reading of § 109(a) defeats the intended purpose of § 602(a)(1), so long as § 602(a)(1) could retain some marginal role in other circumstances. Kirtsaeng hypothesizes, for example, that § 602(a)(1) is not rendered totally superfluous by his reading of § 109(a) because it could continue to prohibit unauthorized importation by non-owners such as "rogue distributors," as well as importation of copies that were "lawfully made" under foreign law but not U.S. law. As a matter of statutory interpretation, however, a reading of § 109(a) that deprives § 602(a)(1) of substantial "meaningful effect" or renders it "'insignificant" in the vast majority of cases in which it was intended to apply is little better than an interpretation that reads it out of the statute altogether. *New Process Steel, L.P.* v. *NLRB*, 130 S. Ct. 2635, 2640 (2010); *Regions Hosp.* v. *Shalala*, 522 U.S. 448, 467 (1998) (Scalia, J., dissenting).

And that is precisely the consequence of Kirtsaeng's reading. Given that importation "typical[ly]" entails a transfer of title, *Quality King*, 523 U.S. at 152, Kirtsaeng's suggestion that § 602(a)(1) would still prohibit unauthorized importation by non-owners leaves little role for that provision to play. Nor is it sufficient that § 602(a)(1) would still bar importation of copies that would be unauthorized if U.S. copyright law applied but are legally made under the laws of some other country. *Cf.* Pet. Br. 45-46. Limiting § 602(a)(1) in that manner would defeat its purpose of prohibiting unauthorized importation where the copyright owner had authorized the making of copies abroad for distribution only in foreign markets. As this Court specifically stated in *Quality King*, the "category of

copies that are neither piratical *nor 'lawfully made under this title'*" includes foreign editions made pursuant to a market allocation agreement or copies made by a publisher holding only foreign distribution rights. 523 U.S. at 147-148 (emphasis added). Kirtsaeng's reading, contrary to that holding, strips § 602(a)(1) of meaning in those cases.

3. The court of appeals' interpretation of § 109(a) is the only reading that serves the purposes of the Copyright Act and the first sale doctrine

Consistent with its constitutional underpinnings, *see* U.S. Const. art. I, § 8, cl. 8, the Copyright Act was designed to "stimulate artistic creativity for the general public good" by "secur[ing] a fair return for an author's creative labor." *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S. 151, 156 (1975) (internal quotation marks omitted). The Act "must be construed in light of this basic purpose." *Id.*; *see Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 346 (1908).

To fulfill this purpose, Congress granted authors an exclusive right to distribute tangible copies of a protected work. 17 U.S.C. § 106(3). That exclusive distribution right and the other rights conferred by the Copyright Act serve "'to motivate the creative activity of authors and inventors by the provision of a special reward,'" while also "'allow[ing] the public access to the products of their genius after the limited period of exclusive control has expired.'" *Harper & Row, Publishers, Inc.* v. *Nation Enters.*, 471 U.S. 539, 546 (1985). The "special reward" the Copyright Act provides to a copyright owner is the right to obtain a royalty for his or her work and the increased market return made possible during the period of exclusivity.

The first sale doctrine limits a copyright owner's ability to control future sales of a tangible copy of a protected work, but only after he has placed that copy into the stream of commerce and obtained the economic reward made possible by the copyright *under U.S. law*. Once the copyright owner has "exhausted his exclusive statutory right to control its distribution," the copy may be freely sold and resold by subsequent purchasers. *Quality King*, 523 U.S. at 152; *see Bobbs-Merrill*, 210 U.S. at 349-351. The doctrine thus enables copyright owners to realize the economic benefit (or royalty) Congress intended to provide as an incentive for creative activity, while limiting any restraints on alienation of a particular copy to its first sale.

Applying the first sale doctrine to copies manufactured and distributed abroad does not serve these purposes. A copyright owner that makes and sells copies exclusively in foreign markets does not benefit from U.S. copyright protection at the first sale and cannot be said to have "exhausted" its exclusive distribution right. *Quality King*, 523 U.S. at 152. While a copyright owner who makes copies in a foreign country exclusively for sale in that market might realize an economic benefit under the laws of that country, he does not realize the separate benefit Congress intended to make available in the United States as an incentive to promote creative activity. *See Harper & Row*, 471 U.S. at 546. Yet under Kirtsaeng's view, that copyright owner would be deemed to have exhausted his rights under U.S. law before fully exercising or benefiting from them. *See Burke & Van Heusen, Inc.* v. *Arrow Drug, Inc.*, 233 F. Supp. 881, 884 (E.D. Pa. 1964) ("[T]he ultimate question under the 'first sale' doctrine is whether or not there has been such a disposition of the copyrighted article that it may fairly be said that the copy-

right proprietor has received his reward for its use."); 7 *Patry on Copyright* § 25:18 ("For purposes of the first sale doctrine ... copyright is quite 'territorial' since an authorized sale or other distribution of a copy ends the copyright owner's control in that territory (*but not others*) over further distribution or public display of that copy." (emphasis added)).

4. Courts have long held that the first sale doctrine does not apply to copies made and sold abroad, and Congress has acquiesced in that interpretation

Contrary to Kirtsaeng's rhetoric, the court of appeals' holding that the first sale doctrine does not apply to copies manufactured and distributed outside the United States was far from novel. This interpretation of the 1976 Act was first adopted in 1983, and nearly all subsequent decisions have adhered to that view. Moreover, although Congress has amended the Copyright Act numerous times, it has refrained from revising § 109(a) to overturn or modify that established construction. In light of this history, the longstanding construction of § 109(a) is entitled to particular respect.

The first case to consider the relationship between the prohibition on unauthorized importation in 17 U.S.C. § 602(a) and the first sale defense of § 109(a) was *Columbia Broadcasting System, Inc.* v. *Scorpio Music Distributors, Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983). The district court there held that the phrase "lawfully made under this title" in § 109(a) limits the first sale defense to copies "which have been legally manufactured and sold within the United States." *Id.* at 49. In so holding, the court relied on the text of § 109(a) and the presumption against extraterritoriality, as well as the view that a contrary interpretation "would undermine the

purpose of the statute" by precluding the copyright owner from "exercis[ing] control over copies of the work which entered the American market in competition with copies lawfully manufactured and distributed under this title." *Id.* at 49-50.

The Third Circuit affirmed the district court's holding in *Scorpio* without comment, and courts in that circuit and elsewhere have continued to follow that interpretation in cases involving copies manufactured and distributed abroad. *Scorpio Music Distribs., Inc.* v. *CBS, Inc.*, 738 F.2d 424 (3d Cir. 1984); *see also, e.g.*, *T.B. Harms Co.* v. *Jem Records, Inc.*, 655 F. Supp. 1575, 1582-1583 (D.N.J. 1987) (following *Scorpio*); *cf. Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 (3d Cir. 1988) (holding that first sale doctrine precluded liability under § 602(a) for reimportation of goods manufactured in the United States and distributed abroad, but distinguishing *Scorpio* and similar cases). By 1996, one court observed that "[t]he courts ... appear to be in agreement" that "sales *abroad* of foreign manufactured United States copyrighted materials do not terminate the United States copyright holder's exclusive distribution rights in the United States under §§ 106 and 602(a)." *Summit Tech., Inc.* v. *High-Line Med. Instruments Co.*, 922 F. Supp. 299, 312 (C.D. Cal. 1996) (internal quotation marks omitted).[3]

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[3] *See also, e.g.*, *Omega S.A.* v. *Costco Wholesale Corp.*, 541 F.3d 982, 985 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010); *Parfums Givenchy, Inc.* v. *Drug Emporium, Inc.*, 38 F.3d 477, 481-482 (9th Cir. 1994); *BMG Music* v. *Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Microsoft Corp.* v. *Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1317 (S.D. Fla. 2008); *Pearson Educ., Inc.* v. *Liao*, 2008 WL 2073491, at *3 (S.D.N.Y. May 13, 2008); *Swatch S.A.* v. *New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla.

Against the backdrop of this precedent, Congress has repeatedly amended the Copyright Act without overturning or modifying courts' construction of the phrase "lawfully made under this title."[4] As Respondent has shown (Br. 34, 36-37), many of those amendments were adopted in direct response to judicial interpretations of the Act. *See, e.g.*, 1 *Patry on Copyright* § 1:92 (2009) (describing 1992 amendments to fair use doctrine responding to two Second Circuit decisions); *see also id.* §§ 1:96, 1:101. Indeed, Congress has specifically amended § 109(a) in response to judicial decisions or other developments without revising courts' interpretation of "lawfully made under this title." For example, prompted by the advent of the compact disc, Congress added subsection (b) to § 109 in 1984 to create an exception to the first sale doctrine in the context of rental, lease, or lending of sound recordings. *See* Record Rental Amendment of 1984, Pub. L. No. 98-450, § 2, 98 Stat. 1727, 1727; *see also* 1 *Patry on Copyright* § 1:86. In response to a Fourth Circuit decision, Congress adopted a similar amendment in 1990 to revise the first sale doctrine in the context of the commercial rental of software. *See* Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, tit. 8, §§ 802-803, 104 Stat. 5134, 5134-5135 (amending § 109(b) and adding § 109(e)); 1 *Patry on Copyright*

2006); *UMG Recordings, Inc.* v. *Norwalk Distribs., Inc.*, 2003 U.S. Dist. LEXIS 26302, at *6-9, 14 (C.D. Cal. Mar. 13, 2003); *Lingo Corp.* v. *Topix, Inc.*, 2003 WL 223454, at *4 (S.D.N.Y. Jan. 31, 2003).

[4] *See* U.S. Copyright Office, *Statutory Enactments Contained in Title 17 of the United States Code*, http://www.copyright.gov/title17/92preface.html (last visited Sept. 6, 2012) (listing 62 amendments since 1983); 1 *Patry on Copyright* §§ 1:71-1:116 (discussing amendments).

§ 1:91; Resp. Br. 33-35. And in 1994, Congress amended § 109(a) to accommodate multilateral agreements on copyright restoration. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, § 514(b), 108 Stat. 4809, 4981 (1994).

Courts presume that Congress is "aware of ... earlier judicial interpretations and, in effect, adopt[s] them" when it revises statutory language without reversing the judicial construction. *Keene Corp.* v. *United States*, 508 U.S. 200, 212 (1993) (citing *Lorillard* v. *Pons*, 434 U.S. 575, 580 (1978)). Here, Congress has repeatedly amended the Copyright Act in response to changing circumstances or judicial decisions construing the Act, including the first sale doctrine. Because it has not done so with respect to application of the first sale doctrine to copies manufactured and sold abroad, the governing presumption is that Congress is aware of courts' interpretation of § 109(a) and has seen no reason to reverse it. *Keene*, 408 U.S. at 212.

B. Kirtsaeng's Arguments Lack Merit

1. *Quality King* does not support Kirtsaeng's interpretation of § 109(a)

Contending that the question presented here is "essentially the same" as the issue in *Quality King*, Kirtsaeng emphasizes this Court's holding that the prohibition on unauthorized importation in § 602(a)(1) is limited by the first sale doctrine of § 109(a). Pet. Br. 19-23, 38. That holding, however, does not support Kirtsaeng's interpretation of the phrase "lawfully made under this title."

The copies at issue in *Quality King* were legally manufactured in the United States—and thus "'lawfully made under this title,'" 523 U.S. at 145—then distribut-

ed abroad before being reimported into the United States without permission. *Id.* at 138-139. As Justice Ginsburg's concurring opinion made explicit, the decision did not "resolve cases in which the allegedly infringing imports were manufactured abroad." *Id.* at 154; *see United States* v. *Stanley*, 483 U.S. 669, 680 (1987) ("no holding can be broader than the facts before the court").

Far from contesting Justice Ginsburg's conclusion, the Court emphasized that § 109(a)—unlike the pre-1976 codification of the first sale doctrine—"does not apply to 'any copy'; it applies only to a copy that was 'lawfully made under this title.'" 523 U.S. at 143 n.9. Significantly, the Court distinguished between copies "lawfully made under this title" and copies "'lawfully made' not under the United States Copyright Act, but instead, under the laws of some other country." *Id.* at 147. And it gave as an example of the category of copies that would be "neither piratical nor 'lawfully made under this title'" copies that were authorized to be published and sold exclusively in foreign markets. In such a case, the Court made clear, "the first sale doctrine would *not* provide ... a defense" to a publisher who had permission to make and sell copies abroad—copies that would thus be "lawfully made" under U.S. law if it applied (*cf.* Pet. Br. 24)—but who instead "decided to sell in the American market." 523 U.S. at 148 (emphasis added). That conclusion fully supports affirmance of the decision below.

2. Kirtsaeng's position finds no support in the text of the Copyright Act

Kirtsaeng equates (Br. 24) the phrase "lawfully made under this title" with a requirement that the making of the copy *would have been "'in accordance*

with'" the U.S. Copyright Act had it applied. But that is not what Congress said, and Kirtsaeng provides no reason to replace the words Congress used with words that have a very different meaning and invite very different consequences. Any doubt on that score is removed by reference to two subsections in § 602. Section § 602(a)(2) distinguishes between "infringement of copyright" under U.S. law, and acts "which would have constituted an infringement of copyright *if this title had been applicable*," (emphasis added). Similarly, § 602(b) refers to circumstances "where the making of the copies ... would have constituted an infringement of copyright *if this title had been applicable*," (emphasis added). Thus, when Congress intends to regulate the making of copies "'in accordance with the Copyright Act'" even where that Act does not apply (*cf.* Pet. Br. 24)—and thus intends to engage U.S. courts in the complex task of determining how U.S. law would apply in foreign countries in conjunction with foreign law—it knows how to say so. It did not say so in § 109(a).

Nor is Kirtsaeng's position helped by the explicit reference to the place of manufacturing in the now-expired "manufacturing provision," which provided that

> the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States or Canada.*

17 U.S.C. § 601 (emphasis added). Kirtsaeng reads (Br. 28-29) this provision to mean that a copy can be manufactured outside the United States and also be "protected 'under [Title 17].'" But that reading makes an

incorrect apples-to-oranges comparison: one phrase refers to "*works*" that are "protected under this title," the other refers to "*copies*" that are "manufactured in the United States or Canada."[5] Moreover, Congress's use of specific language applying § 601 to copies manufactured *outside* the United States contrasts sharply with § 109(a), where Congress indicated no similar intent to apply the law extraterritorially.[6]

As Respondent has shown (Br. 26-35), Kirtsaeng's reliance on other provisions of the Copyright Act that employ the phrase "lawfully made under this title" also fails. Section 106, for example (Pet. Br. 33), refers only to the legal concept of a "copyright under this title," which is expressly defined in § 104—in language sufficiently clear to overcome the presumption against extraterritoriality—to include works first published abroad, *supra* n.5. It does not address conduct, such as

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[5] Kirtsaeng's analysis of § 104 (Br. 29-32) makes the same mistake. Section 104 defines the *works* that are subject to protection "under this title." It does not address which *copies* of those works infringe the U.S. copyright. Moreover, by explicitly stating that works published overseas may be protected "under this title," Congress expressed a clear intent in § 104 to apply U.S. law extraterritorially and to encompass overseas conduct within the phrase "under this title." Section 109(a) contains no such language.

[6] Kirtsaeng's amici claim Congress could not have intended to introduce a "place of manufacture" requirement in § 109(a) while simultaneously "remov[ing] place of manufacture as a relevant factor" by repealing § 601. eBay Br. 19; *see id.* at 16-20; Costco Br. 24-26; Goodwill Br. 22-23. That conclusion does not follow. In repealing § 601, Congress enabled authors to make copies abroad *without* losing access to, or rights in, the U.S. market. Properly construed, § 109 serves the same purpose. Kirtsaeng's reading would have the opposite effect: authors that make copies overseas would risk losing the ability to control entry into the U.S. market or losing substantial value of their U.S. copyright.

the "making" of a copy, that can sensibly be thought of as occurring in a particular location. *See* Resp. Br. 28-29. Section 1004(b) of the Audio Home Recording Act, unlike § 109(a), also expresses a clear congressional intent to reach goods manufactured abroad. Contrary to Kirtsaeng's claim (Br. 35-36), no tension between that provision and § 1006(a)(1)(A) results from the court of appeals' reading of "lawfully made under this title" because § 1004(b) governs payments *into* a royalty fund by importers of digital audio recording media, while § 1006 governs the distribution of royalties *from* that fund to authors of musical works. *See* Resp. Br. 32-33.

Kirtsaeng also cites (Br. 34-35, 36-37) statutory exceptions to infringement liability in §§ 109(c), 109(e), and 110(1) that use the phrase "lawfully made under this title." The most important lesson to be gleaned from these provisions is that Congress is fully capable of crafting exceptions precluding liability when, in Congress's view, the balance of circumstances tips against broader copyright protection. In the decades since courts first began to construe § 109(a) to apply only to copies made in the United States, however, Congress has sensibly taken no action to alter that result, and none of the consequences Kirtsaeng predicts have materialized. In any event, for the reasons Respondent states (Br. 29-32, 33-35), Kirtsaeng's reliance on those exceptions is misplaced.[7]

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[7] Kirtsaeng's analysis assumes that "lawfully made under this title" must have the same meaning in every place it appears. In fact, "[a]lthough [courts] generally presume that identical words used in different parts of the same act are intended to have the same meaning, the presumption is not rigid, and the meaning [of the same words] well may vary to meet the purposes of the law." *United States* v. *Cleveland Indians Baseball Co.*, 532 U.S. 200, 213 (2001) (internal quotation marks omitted). That is particularly so

Kirtsaeng's contentions thus cannot overcome what the text of § 109(a), the presumption against extraterritoriality, settled precedent, and the purposes of the Copyright Act make clear: The first sale doctrine does not apply to unauthorized importation of tangible copies made outside the United States.[8]

II. EXTENDING THE FIRST SALE DOCTRINE TO COPIES MANUFACTURED ABROAD FOR SALE IN FOREIGN MARKETS COULD PRODUCE HARMFUL CONSEQUENCES CONTRARY TO THE PURPOSE OF THE COPYRIGHT ACT

Kirtsaeng's interpretation of § 109(a), if accepted, would undermine the copyright protection on which artistic fields like the motion picture and music industries depend for their economic viability. As in other creative fields, these industries rely on the ability to divide

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when the provisions address different concerns and the operation of one provision could be "set awry" by the interpretation that best serves the purposes of another. *Id.* Here, infringement of the rights to public display or performance poses different concerns than infringement of the exclusive distribution right; and, unlike § 109(a), the provisions Kirtsaeng cites need not be construed to harmonize with § 602(a)(1).

[8] As Respondent has discussed (Br. 55-56), this case does not present, and the Court need not decide, the question whether the first sale doctrine applies to copies manufactured abroad but imported into and sold in the United States with the copyright owner's permission. In practice, that question is likely academic. *Authorized* importation into the United States of copies made abroad occurs pursuant to contractual arrangements that benefit both the copyright owner and the importer. Copyright owners have no reason to attack these distribution networks. In the unlikely event the issue were ever litigated and application of the natural reading of "lawfully made under this title" resulted in anomalous or unintended consequences, that result should be resolved by Congress, not by construing § 109(a) to "effectively nullify Congress's clear policy choice ... that market segmentation be permitted." U.S. Br. 28, *Costco* v. *Omega*, No. 08-1423, O.T. 2010.

rights across markets and to plan for and control the timing and manner of the release of their works in different markets around the world. Unauthorized importation of home video discs and CDs into the U.S. market could undercut these practices and, in doing so, undermine copyright owners' ability to recoup their investment in creative activity.[9]

A. Undermining Copyright Owners' Control Over Entry Into Different Markets Threatens The Value Of Their Copyright

When copyright owners distribute tangible copies of creative works in a foreign market, they recoup the economic benefit made possible by the copyright law of that country, which may be substantially less generous or well enforced than U.S. copyright law. They do not realize the separate benefit Congress intended them to derive from their U.S. copyright. If those copies are imported into the United States without permission, the copyright owner might never obtain that full benefit.

For example, when unauthorized importers purchase CDs or video discs in other markets and resell them in the United States, the importer undercuts the economic benefit Congress intended to provide to stimulate artistic activity.[10] This result is most stark when

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[9] As used in this brief, the phrase "video discs" includes DVDs, Blu-Ray discs, and any other optical discs used for viewing movies at home. "CDs" refers to compact discs used for listening to sound recordings.

[10] Due to certain technical features, some video discs manufactured for sale in other markets cannot be played back satisfactorily or at all on U.S. televisions and disc players, but that fact does not answer these concerns. Studios' use of those technical features varies, and a substantial proportion of discs still play per-

the U.S. distribution rights are held by a company that has no distribution rights in the other markets—a common arrangement in the motion picture and music industries. In such a case, unauthorized importation of copies of a movie or sound recording made and sold in a foreign market by the entity holding the foreign distribution rights can prevent the U.S. copyright owner from realizing the benefit of its rights under U.S. law, even if it has yet to sell a single theater ticket, CD, or home video disc anywhere. Moreover, the threat of that possibility can constrain the copyright owner's flexibility to enter into foreign markets or undertake beneficial licensing of distribution rights, contrary to Congress's intent in enacting § 602(a). Resp. Br. 38-42; *see* 4 *Patry on Copyright* § 13:42.

Those harms, in turn, could have deleterious consequences for the U.S. economy as a whole. As of 2010, the motion picture and television industry supported 2.1 million jobs and nearly $143 billion in total wages in the United States. MPAA, *The Economic Contribution of the Motion Picture & Television Industry to the United States*, http://www.mpaa.org/Resources/6f8617ae-bdc7-4ff2-882e-746b1b23aba9.pdf (last visited Sept. 7, 2012) ("*Economic Contribution*"). In addition to the major motion picture studios, the industry supports a nationwide network of

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fectly well in the United States. Indeed, with the shift to high-definition technologies such as Blu-Ray, one of the main technical impediments to using video discs manufactured abroad for home entertainment in the U.S. is becoming increasingly obsolete. If anything, the adverse consequences for the motion picture industry that arise from unauthorized importation could thus pose an even more serious concern as more markets move to high-definition home entertainment technology. http://www.amazon.co.uk/Now-Thats-What-Call-Music/dp/B0089MSEEU/ref=sr_1_1?ie=UTF8&qid=1346783469&sr=8-1.

nearly 95,000 businesses throughout the 50 States. *Id.* The music industry employed over 25,000 paid employees as of 2004. Siwek, Institute for Policy Innovation, Report No. 188, *The True Cost of Sound Recording Piracy to the U.S. Economy* 2 (2007) ("*True Cost*"). The industry supports many smaller businesses such as retail stores, distribution companies, recording studios, and music professionals. The retail trade alone generates over $7 billion from the sale of sound recordings. *Id.* Maintaining robust copyright protection is thus crucial to preserving not only the health of these creative fields themselves, but also their substantial contributions to the national economy.

B. The Ability To Treat National Markets Separately Is Important To The Success Of The Motion Picture And Music Industries

Ignoring the purposes of § 602(a), Kirtsaeng fails to acknowledge any legitimate reasons for treating national markets separately. But cultural, economic, and other differences at times provide good reason for motion picture and music companies to tailor theatrical releases and CD and home video disc sales to the particular characteristics and economic conditions of each market. *See* Resp. Br. 46-49. Unauthorized importation can threaten these practices—and thus the value of the copyright—by disrupting exclusive licenses or interfering with the copyright holder's flexibility to adapt to differences across markets. Moreover, a copyright owner's loss of control over entry into particular markets may increase the risk that entering those markets will diminish valuable rights under U.S. copyright law.

1. *Dividing rights across markets.* In the movie industry, distribution rights to particular films are commonly held by different companies in different

countries. For example, to obtain financing for a new film, a studio might sell or license distribution rights in smaller, strategic markets while retaining the rights—and the prospect of a sound return—in larger markets like the United States. *See* Barfield & Groombridge, *The Economic Case for Copyright Owner Control over Parallel Imports*, 1 J. World Intell. Prop. 903, 930 (1998). Likewise, record companies often license the distribution of sound recordings in foreign territories as a way of utilizing the licensee's superior distribution capability in a particular region, enhancing revenue for the record company and the licensee. When rights are held separately in this way, the U.S. rights holder cannot distribute copies in a foreign market where rights are held by another entity. Yet if copies made in that market by the foreign rights holder are imported without authorization into the United States, they could undercut revenue for the company holding the rights in the United States. Indeed, under Kirtsaeng's view, there would effectively be no such thing as exclusive distribution rights for the U.S. copyright holder if copies made abroad by the foreign rights holder could be freely imported behind the shield of the first sale doctrine. As the Court recognized in *Quality King*, 523 U.S. at 147-148, however, Congress enacted § 602(a) largely to protect such ubiquitous market arrangements from unauthorized importation of both piratical *and* legitimate foreign copies.

2. *Timing releases differently in different markets.* For many reasons, studios often release new movies in theaters and on disc at different times in different markets. This longstanding practice, known as "windowing," may be driven by the content of the movie: A movie marketed as a summer blockbuster is unlikely to be released at the same time in Australia as in Europe

and North America. In other cases, the timing decision is tied to promotional strategies. "Hype" around a movie's release can contribute greatly to its commercial success. But creating hype depends on close control over the timing of entry into the market. For example, timing a release to coincide with a promotional tour by actors or artists associated with the work can build excitement and a "crescendo of demand" around the work's release that facilitates its widest possible dissemination. Barfield & Groombridge, 1 J. World Intell. Prop. at 929. Similarly, filmmakers might find it desirable to delay a movie's release in large markets until a movie has enjoyed success in smaller markets or film festivals. Record companies likewise time the release of recordings in different markets to capitalize on promotional opportunities such as when an artist will be on tour or available to promote the album. Under Kirtsaeng's view, however, a studio could not release a movie on home video disc in one market while the movie was still in theaters in the United States, even if there were a strong business case for doing so, without incurring risk that unauthorized importation of those discs into the United States could detract from the success of the U.S. theatrical release. *Id.* at 930.[11] Similar-

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[11] For example, the suspense film *Taken* was released on DVD in Mexico in November 2008, but did not open in U.S. theaters until January 2009. The docudrama *Miss Bala* was released on DVD in Mexico on January 12, 2012, but did not open in U.S. theaters until January 20, 2012. The Mexican DVDs, which were manufactured in Mexico, were compatible with U.S. televisions and DVD players. Given the staggered release windows, unauthorized importation of copies of the Mexican DVDs could have significantly diminished the success of the U.S. theatrical releases and undercut the value of the U.S. distributor's rights. Studios also release DVDs abroad ahead of U.S. DVD release. For example, Mexican- and Brazilian-manufactured DVDs of the film *Rio*, which were compatible with U.S. televisions and DVD players,

ly, a company that obtains the exclusive U.S. distribution rights for a successful foreign film might not benefit fully from those rights if copies made and sold abroad for the original foreign release could be imported into the United States.

3. *Combating piracy and unauthorized importation.* The ability to stagger the timing of releases into different markets can also prove useful in combating piracy. For example, in countries where piracy is prevalent, a copyright owner might release the DVD and Blu-Ray versions of a film early to compete with and deter piracy activity. *See* Cheng, *Fox to Sell Low-Cost DVDs in China To Combat Piracy* (Nov. 13, 2006); Cheng, *Paramount and Warner Bros. Market $3 DVDs in China* (Nov. 7, 2007). If those early-release video discs could lawfully be imported into the United States while the film was still showing in U.S. theaters, they could undercut the success of the theatrical release. Record companies also stagger their releases around the world and engage in other practices in an effort to combat rampant music piracy. Congress could not have intended copyright owners who find it necessary to adapt their marketing strategies to conditions in countries where copyright protection is less stringently enforced to risk undercutting or losing the economic benefit of their rights under U.S. copyright law in doing so.

4. *Varying content by market.* Unlike the commercial goods at issue in *Costco* and *Quality King*, original creative works are often tailored in content to better respond to regional conditions and tastes. In the motion picture context, for example, a studio might release different versions of the same movie in different

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were released a month before U.S.-manufactured DVDs of the film were released in North America.

markets to adapt to local language, taste, and humor, or simply to make different artistic statements.[12] Versions may also vary to comply with different decency standards in different countries, and foreign-made copies of movies do not always include the ratings information with which U.S. consumers are familiar. Treating international markets differently for these purposes is perfectly legitimate. Yet under Kirtsaeng's view, a studio that followed this strategy would face the threat that foreign versions of movies—which might be less well received by U.S. audiences than a version specifically tailored to U.S. tastes—could become widely available in the United States, yielding negative reviews and depressing sales of the U.S. version. *See* Craig et al., *Culture Matters: Consumer Acceptance of U.S. Films in Foreign Markets*, 13 J. Int'l Mktg. 80, 82-83, 97 (2005). Sound recordings are also edited to comport with local views of language and decency. Similarly, due to differences in royalty obligations in different countries, foreign-manufactured CDs may contain many more music tracks than comparable U.S. ver-

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[12] *See, e.g.*, Alternate Versions for *Austin Powers: International Man of Mystery* (1997), http://www.imdb.com/title/tt0118655/alternateversions (describing different jokes, editing, and content in U.S. and United Kingdom versions); Alternate Versions for *Schindler's List* (1993), http://www.imdb.com/title/tt0108052/alternateversions (comparing Israeli and other versions); Alternate Versions for *E.T.: The Extra-Terrestrial* (1982), http://www. imdb. com/title/tt0083866/alternateversions (describing alteration in Japanese version to accommodate cultural differences); Alternate Versions for *The Shining* (1980), http://www.imdb.com/title/tt0081505/alternateversions (describing changes in content and editing made by director Stanley Kubrick for U.S. and European theatrical and home video releases); Alternate Versions for *Casablanca* (1942), http://www.imdb.com/title/tt0034583/alternateversions (describing deletion of "all scenes with Major Strasser and all references to Nazism" for post-war German release).

sions.[13] Record companies should not be deprived of the right to control how their works are received in the United States.

5. *Fostering local distribution networks.* Of the 2.1 million jobs in the United States supported by the motion picture industry, over 400,000 are involved in the distribution of motion pictures and television shows to consumers. MPAA, *Economic Contribution.* The recorded music industry supports a similar array of "downstream" businesses including retail stores, which generate over $7 billion annually. Siwek, *True Cost* 2. Treating markets separately permits copyright owners to develop stable networks of distributors whose familiarity with the market helps ensure that new theatrical, home video, and music releases are optimally packaged and advertised. Local distributors can "customize the products to meet local market demands, including dubbing/sub-titling, duplication of the customized product, [or] special packaging and advertising." Barfield & Groombridge, 1 J. World Intell. Prop. at 930. Local distribution networks also aid the copyright owner in policing against piracy and copyright infringement by monitoring sales and distribution and keeping track of the provenance of different batches of copies. Unauthorized importation, however, can disrupt these networks.

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[13] *Compare* http://www.amazon.com/Now-43-Thats-What-Music/dp/B008BCH9NU/ref=sr_1_1?ie=UTF8&qid=1346783574&sr=8-1&keywords=now+music (listing 22 tracks on U.S. version of 2012 edition of "Now That's What I Call Music!"), *with* http://www.amazon.co.uk/Now-Thats-What-Call-Music/dp/B0089MSEEU/ref=sr_1_1?ie=UTF8&qid=1346783469&sr=8-1 (listing 44 tracks on United Kingdom version).

C. Kirtsaeng's Policy Arguments Are Unrealistic And Cannot Overcome The Statute's Text And Purpose

The foregoing strategies and practices are facilitated by importation laws and contractual arrangements that protect copyright owners' rights while largely precluding the unfounded and unrealistic parade of horribles that Kirtsaeng and his amici predict will result if this Court affirms the decision below. Even if their concerns were well taken, however, the proper forum in which to resolve them would be Congress, not this Court.

As an initial matter, the improbable concern that limiting the first sale doctrine to copies made in the United States will result in unintended liability for unwary teachers, librarians, garage-sale and flea-market proprietors, or donors to charity trivializes the threat to copyright protection posed by Kirtsaeng's interpretation of § 109(a). The genuine threat at issue is the prospect of systematic, unauthorized importation on a mass scale of copies of movies, sound recordings, or other protected works that could undercut the market for copies intended for sale in the United States or constrain copyright holders' ability to control the timing and terms of entry into different markets. Kirtsaeng and his amici point to no evidence to suggest that the existing rule, which protects against such harmful, mass-scale unauthorized importation, has deterred legitimate activity by teachers or librarians or invited unwarranted enforcement actions.

Congress has also crafted numerous exceptions and defenses throughout the Copyright Act that might apply should any of the reckless enforcement actions Kirtsaeng and his amici posit ever actually occur. For

example, incidental importation by tourists or libraries of limited numbers of copies of protected works made overseas is permitted under the Copyright Act. 17 U.S.C. § 602(a)(3)(B), (C); *see also, e.g.*, Art Museum Br. 13 n.17 (arguing that fair use and other defenses would preclude liability for public display of foreign-made works of art even if § 109(c) applied only to U.S.-made works); American Library Ass'n Br. 28-30 (listing numerous "protections Congress has provided specifically to [libraries]"). Nothing would prevent Congress from enacting additional defenses or exceptions if it ever perceived the need.

Kirtsaeng's dire predictions about the "gray market" are likewise one-sided and overstated. He and his amici fail even to acknowledge contrary evidence concerning the value of parallel imports (or lack thereof), and the numerous legitimate reasons for treating national markets separately. For example, one article cited by amici discusses evidence that "billion[s] [of dollars] in cannibalized sales" may "stifle the incentive to innovate." Autrey & Bova, Harv. Bus. Sch. Accounting & Mgmt. Unit Working Paper No. 09-098, *Gray Markets and Multinational Transfer Pricing* 1 (2009). Another source reports that gray markets cause companies to "suffer from price erosion, brand damage, and ... inadequate customer service." KPMG LLP, *Effective Channel Management Is Critical in Combating the Gray Market and Increasing Technology Companies' Bottom Line* 3 (2008).

At the same time, contractual arrangements readily permit companies to import copyrighted goods for resale in U.S. secondary markets. Copyright holders have every incentive to enter into such agreements to facilitate the distribution of their works. Many movie studios, for example, have entered into contracts with Netflix, a

popular movie rental service, authorizing Netflix's distribution of copyrighted home video discs. Such an arrangement can be highly valuable to both the distributor and the copyright owner, which obtains access to a broad customer base and benefits from the rental service's promotional efforts. Kirtsaeng's suggestion (Br. 4, 57) that a movie studio would abandon those arrangements and exploit its copyright to "shut down" or "demolish" such a profitable and mutually beneficial distribution network is unfounded, to say the least.

Kirtsaeng and his amici also contend that adopting the court of appeals' interpretation of § 109(a) would create a harmful incentive for copyright owners to "outsource" manufacturing to other countries. As discussed, however, *supra* Part II.B, producers of creative works must take numerous considerations into account when making manufacturing and marketing decisions across different markets. Kirtsaeng ignores this context and ignores—again—the absence of any evidence that any economic harm has befallen domestic manufacturers as a result of courts' longstanding view that § 109(a) does not apply to copies made abroad for sale in foreign markets.

Ultimately, the policy arguments advanced by Kirtsaeng and his amici reduce to the proposition that copyright owners should not be permitted to realize the separate benefit made possible by their U.S. copyright. In place of that economic benefit, Kirtsaeng and his amici prefer a system euphemistically referred to as "arbitrage": "Merchants buy goods where they are cheap and sell them where they are more expensive." Pet. Br. 15. Congress, however, made a different choice. It determined that providing a limited economic benefit to copyright holders through the exclusive distribution right and protecting international licensing

arrangements from unauthorized importation would most effectively spur creation of new artistic works for the public good. *See Twentieth Century Music Corp.*, 422 U.S. at 156; *Harper & Row*, 471 U.S. at 546. And it has regularly revisited and adjusted those rights to achieve the "difficult balance between the interests of authors and inventors in the control and exploitation of their writing and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). As this Court has repeatedly recognized, "it is generally for Congress, not the courts, to decide how best to pursue [those] objectives." *Eldred* v. *Ashcroft*, 537 U.S. 186, 212 (2003).

CONCLUSION

The court of appeals' judgment should be affirmed.

Respectfully submitted.

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AMICUS CURIAE BRIEF

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSAENG D/B/A BLUECHRISTINE 99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF OMEGA S.A. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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September 7, 2012

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, *amicus curiae* Omega S.A. states the following:

Omega S.A. is a wholly owned subsidiary of a publicly held Swiss corporation, The Swatch Group, Ltd. The Swatch Group, Ltd. is the parent company of Omega S.A.

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INTEREST OF *AMICUS CURIAE*[1]

Amicus Omega S.A. manufactures watches in Switzerland that bear laser-engraved copies of the Omega Globe Design, a work protected by copyright in the United States. The successful marketing and distribution of Omega's watches in the United States require substantial investment – in advertising and other marketing, in sponsorships, in dealer training, and in customer service, for example – which may not be required or justified in other geographic markets. To recover market-specific investments and to ensure dealer excellence, retailers charge prices in the United States that are higher than the prices charged in other, less developed and less competitive markets. Omega accordingly enters into agreements with overseas distributors that specifically limit their distribution rights to particular geographic territories and withholds authorization to import into the United States.

Contractual restrictions with distributors are not adequate, however, to prevent free-riding and to ensure that Omega's U.S. distributors and dealers can reap the legitimate benefits of their investment. Omega accordingly relies on U.S. copyright law – in particular, the restriction on unauthorized importa-

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amicus* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Both petitioner and respondent have consented to the filing of this brief. Counsel for respondent has filed a letter with the Clerk granting blanket consent to the filing of *amicus* briefs; counsel for petitioner has consented to the filing of this brief, as reflected in a letter filed contemporaneously with this brief.

tion under Section 602(a)(1) of the Copyright Act of 1976 ("Copyright Act" or "1976 Act") – to enforce its distributors' and dealers' exclusive rights. One such case involved a suit for copyright infringement against retail giant Costco, which had deliberately obtained "gray market" Omega watches for sale in its retail stores after Omega refused to provide watches to Costco on the terms that Costco demanded. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 984 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010) (per curiam).

In that case, the Ninth Circuit held that 17 U.S.C. § 109(a) – the "first sale" doctrine – provides "no defense to an infringement action under §§ 106(3) and 602(a)[(1)] that involves (1) foreign-made, non-piratical copies of a U.S.-copyrighted work, (2) unless those same copies have already been sold in the United States with the copyright owner's authority." *Id.* at 983. That ruling was consistent with the uniform, decades-old interpretation of these provisions. This Court granted certiorari to review that ruling; an equally divided Court affirmed it. Omega accordingly has a significant interest in the proper construction of § 109(a), one that will ensure that § 602(a)(1) continues to provide protection against unauthorized importation of works protected by U.S. copyright – as Congress intended.

SUMMARY OF ARGUMENT

I. Section 109(a) of the Copyright Act allows the owner of a copy "lawfully made under this title" to sell that copy without infringing the copyright owner's exclusive distribution right under § 106(3). 17 U.S.C. § 109(a). Section 602(a)(1) provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106." *Id.* § 602(a)(1). The Second Circuit held that the unauthorized importation of foreign-made copies produced for sale solely outside the United States violates § 106(3) and § 602(a)(1) of the Copyright Act, because such copies are not "lawfully made under this title" and the first-sale defense under § 109(a) therefore is not available. Pet. App. 27a-28a. That holding is consistent with the plain meaning of § 109(a), because a copy made overseas for distribution overseas is not, without more, "lawfully made *under this title*." It is strongly supported by this Court's statement, in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 523 U.S. 135 (1998), that the first-sale defense does not apply to copies that are "'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.* at 147. It preserves a meaningful role for § 602(a)(1), which broadly prohibits unauthorized importation of copies, including legitimate copies. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3228 (2010) (statute should be construed to avoid rendering any provision superfluous or insignificant). And it is consistent with the common-law roots of the first-sale doctrine, because it avoids

applying that doctrine where a copyright owner has not exercised – and thus has not exhausted – any rights under the Copyright Act.

II. The Second Circuit's holding – that copies manufactured abroad for sale abroad are not "lawfully made under this title" – allows a copyright owner to authorize foreign editions of works without undermining the value of exclusive distribution rights in the United States. That is precisely what Congress intended and a result that this Court endorsed in *Quality King*. Petitioner and his *amici* argue, however, that, if "lawfully made under this title" is understood to be synonymous with "lawfully made *in the United States*," it would lead to anomalous results: in particular, it would allow a copyright owner to avoid application of the first-sale doctrine – even after domestic sales authorized by the copyright owner – for copies manufactured overseas.

There is no evidence that any copyright owner has ever attempted to use a copyright in this fashion under the 1976 Act. Moreover, these arguments depend on an incorrect reading of the words "lawfully made *under this title*." That phrase need not refer to the place of manufacture; rather, it refers to whether the copy carries with it the copyright owner's authorization to import and distribute in the United States. Because that question turns on U.S. copyright law – irrespective of the place of manufacture – this construction gives proper effect to the phrase "under this title" while avoiding the potential anomalies created by treating the phrase as imposing a strictly geographic limitation.

ARGUMENT

I. THE FIRST-SALE PROVISION DOES NOT APPLY TO COPIES MADE ABROAD AND SOLD WITHOUT THE COPYRIGHT OWNER'S AUTHORIZATION TO IMPORT OR DISTRIBUTE IN THE UNITED STATES

Based on the language of the Copyright Act, this Court's analysis in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 523 U.S. 135 (1998), and long-standing exhaustion principles, a copyright owner can make and sell copies of its work abroad without surrendering the exclusive rights granted under § 106(3) and § 602(a)(1) of the Copyright Act to import and distribute copies domestically.

A. A Copy Is Not "Lawfully Made Under This Title" When Its Reproduction and Distribution Do Not Implicate Any Exclusive Rights Granted Under the Copyright Act

1. Section 109(a) permits "the owner of a particular copy . . . *lawfully made under this title*" "to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a) (emphasis added). The meaning of the words "lawfully made under this title" is plain: a copy is lawfully made under Title 17 if the making of the copy is both *governed by* and *consistent with* the Copyright Act. *See Ardestani v. INS*, 502 U.S. 129, 135 (1991). If the making of the copy is not governed by the Copyright Act, the copy is not made "under this title" at all. *See Quality King*, 523 U.S. at 142 n.9 ("It is noteworthy that § 109(a) . . . does not apply to 'any copy'; it applies only to a copy that was 'lawfully made under this title.'").

The plain language of § 109(a) strongly supports the judgment below. *See Connecticut Nat'l Bank*

v. Germain, 503 U.S. 249, 253-54 (1992) ("[C]ourts must presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then, this first canon is also the last . . . .") (citations omitted). It is uncontested that respondent's subsidiary printed the textbooks at issue for distribution outside of the United States. The making of the copies thus did not involve the exercise of any U.S. rights. The Second Circuit was accordingly correct that the copies were not lawfully made *under Title 17*. *See* Pet. App. 27a-28a.

Section 106 of the Copyright Act enumerates the copyright owner's "exclusive rights to do and to authorize" certain activities, including the right "to reproduce the copyrighted work." 17 U.S.C. § 106(1). But those exclusive rights do not apply to conduct that takes place exclusively outside the United States. *See United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 17.02, at 17-19 (rev. ed. 2010) ("[C]opyright laws do not have any extraterritorial operation."); *cf. Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454-55 (2007) ("United States law governs domestically but does not rule the world . . . . Foreign conduct is [generally] the domain of foreign law . . . .") (internal quotation marks omitted; alteration in original); *Beechwood Music Corp. v. Vee Jay Records, Inc.*, 328 F.2d 728, 729 (2d Cir. 1964) (per curiam) ("It would be quite unreasonable to construe the condition of the compulsory license clause . . . as being satisfied by the manufacture of records in a foreign country, at least when these have not been brought into the United States.") (internal quotation marks omitted). Accordingly, when a copy

is manufactured outside the United States for sale outside the United States, it cannot be "made in accordance with the Copyright Act" – to use the definition urged by petitioner. Pet. Br. 24 (internal quotation marks omitted). Nor can it be made in violation of the Copyright Act. The Copyright Act simply does not govern the conduct.

Petitioner argues that, "[f]rom U.S. soil, the U.S. company authorized its wholly owned subsidiary to make the copies," *id.*, but any such authorization did *not* involve any exercise of U.S. copyright. To the contrary, the Copyright Act simply does not govern whether a copy may be reproduced overseas for sale overseas. *See* 2 *Nimmer on Copyright* § 8.11[B][1], at 8-152.2 ("[A]ll the rights conferred under the Copyright Act relate to exploitation within this country."). Respondent's subsidiary's rights to reproduce and distribute copies in Asia or elsewhere overseas are governed by the law of the countries where the reproduction and distribution took place – not by Title 17. *See* Berne Convention for the Protection of Literary and Artistic Works art. 5(1), revised at Paris July 24, 1971, 25 U.S.T. 1341, 828 U.N.T.S. 221.

The phrase "lawfully made under this title" should be understood in light of "the normal meaning of the language chosen by Congress." *Regents of Univ. of California v. Public Employment Relations Bd.*, 485 U.S. 589, 595 (1988). Where, as here, a copy is alleged to be lawfully made solely on the basis of its manufacture, it can be lawfully made "under this title" only if the Copyright Act governs that act of manufacture. Accordingly, it contradicts the plain meaning of the provision to say that copies made overseas for sale outside the United States are either

lawfully or unlawfully "made *under this title*."[2] Because there is no other basis on which petitioner claims that the copies at issue were "lawfully made under this title," the defense provided under § 109(a) is unavailable.

2. This straightforward understanding of "lawfully made under this title" is fully consistent with the pervasive use of the phrase "under this title" in the Copyright Act to specify rights or conduct governed by U.S. law. To give just a few examples, both § 106 and § 602(a) refer to "the owner of copyright under this title," 17 U.S.C. §§ 106, 602(a)(1), (2) – *i.e.*, the holder of rights granted *under U.S. law*. Section 104 refers to works that "are subject to protection under this title," *id.* § 104(a), (b) – *i.e.*, that are protected *under U.S. law*, as distinguished from, for example, protection solely under foreign law, *see id.* § 104(c)-(d).[3] Section 114(d)(4) refers to "remedies available under this title," *id.* § 114(d)(4)(B)(iii), (C) – *i.e.*, remedies available under U.S. law. Section 503 refers to actions "under this title," *id.* § 503(a)(1) – *i.e.*, actions based on the rights granted by the Copyright Act. The phrase is used throughout Title 17 in the same manner.

That a work made abroad for distribution abroad is not "lawfully made under this title" is also compati-

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[2] By contrast, the copies at issue in *Quality King* were made in the United States by the copyright owner and therefore were "lawfully made under this title."

[3] Petitioner notes that works published nearly anywhere in the world enjoy copyright protection under U.S. law, Pet. Br. 30-31, but they enjoy such protection *with respect to conduct in the United States*. The Copyright Act does not confer any exclusive rights with respect to conduct that takes place overseas, whether the work is a U.S. work or a foreign work.

ble with the use of the phrase elsewhere in the Copyright Act. Sections 109(c) and 109(e) limit exclusive rights to display and/or perform copyrighted works that are "lawfully made under this title." Applying the proper construction of the phrase to those provisions simply means that the limitations in those sections would not apply to copies manufactured abroad and imported without the copyright owner's authorization – in other words, the "first-sale" defense under § 109(c) and § 109(e) would be no broader than under § 109(a), which is perfectly sensible.[4] Under § 110, certain educational performances and displays are "not infringements of copyright" unless they are "given by means of a copy that was not lawfully made under this title, and that the person responsible for the performance knew or had reason to believe was not lawfully made." 17 U.S.C. § 110(1); *see also id.* § 110(2). Under the proper construction of "lawfully made under this title," if such a performance were by means of a copy that was imported in violation of § 602(a)(1), and the responsible person or institution was aware of the violation, it would lose the protection afforded for performances by means of non-

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[4] Petitioner argues that, if the phrase "lawfully made under this title" means "lawfully made in the United States," then § 109(e) would not reach the Fourth Circuit's ruling in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989), because the video-game circuit boards at issue in the case were made in Japan. Pet. Br. 36. But the Fourth Circuit rejected defendant's first-sale defense because, it held, § 109(a) applies only to *distribution*, not to public performance. *See* 883 F.2d at 281. In response to the Fourth Circuit's decision, in the case of video games, Congress extended the first-sale defense to display and public performance. *See* 17 U.S.C. § 109(e). But there is no reason to believe that Congress intended to extend the first-sale defense in such cases to works that are not within the coverage of § 109(a).

infringing copies. That result, too, makes perfect sense.

Finally, the use of the phrase in one provision of the Audio Home Recording Act of 1992 is likewise entirely compatible. That statute requires payments of royalties, not by those who copy or distribute a work protected by copyrig[illegible], but by vendors of digital audio recording devices and digital audio recording media. *See* 17 U.S.C. §§ 1003, 1004.[5] Those royalties are paid into two funds and then distributed to songwriters, music publishers, record labels, and artists. *See id.* § 1006(b). To qualify for royalties from these funds, an "interested copyright party" must have a "musical work or sound recording" that has been "embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed." *Id.* § 1006(a)(1)(A). Under the proper construction of that provision, if a copyright owner had *not* authorized importation and domestic distribution, that work would not qualify for royalty payments under § 1006(a)(1)(A). It makes perfect sense for Congress to provide royalties only in those circumstances where domestic distribution is authorized by the copyright owner; that result is in no sense "absurd[]" (Pet. Br. 36).

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[5] In exchange, the statute provides that "[n]o action may be brought under this title alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analog recording device, or an analog recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analog musical recordings." 17 U.S.C. § 1008; *cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (discussing indirect infringement).

B. *Quality King* Rejects Petitioner's Construction of § 109(a)

1. The conclusion that § 109(a) applies only to copies made in a manner that implicates the exclusive rights granted by the Copyright Act also is mandated by *Quality King*. The Court's reasoning "implies that it would endorse the prevailing law" providing that the first-sale doctrine is inapplicable to foreign-made copies sold for overseas distribution. 2 Paul Goldstein, *Goldstein on Copyright* § 7.6.1.2.a, at 7:144 (2010 Supp.); *see also* 2 *Nimmer on Copyright* § 8.12[B][6][c], at 8-178.4(7); American Bar Ass'n, Recommendation No. 109, at 8-9 (Feb. 2010) ("ABA Recommendation") ("[I]t is apparent from the Supreme Court's decision in *Quality King* that a copyright owner may, pursuant to § 602(a)[(1)], prevent the importation of certain copyrighted works lawfully made under the law of another country."), *available at* www.abanet.org/leadership/2010/midyear/summary_of_recommendations/109.doc.

In rejecting the argument that § 602(a)(1) would be effectively superfluous if it were subject to the first-sale defense of § 109(a), the Court noted that, notwithstanding the first-sale defense, § 602(a)(1) nevertheless "applies to a category of copies that are neither piratical nor 'lawfully made under this title,'" including "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Quality King*, 523 U.S. at 147. In elaborating on the category of copies that would be both lawfully made and *not* subject to the first-sale doctrine, the Court noted that "a publisher of the United States edition and a publisher of the British edition of the same work" would "each . . .

make lawful copies." *Id.* at 148. The Court continued:

> If *the author of the work* gave the exclusive United States distribution rights – enforceable under the Act – to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a)[(1)] (or, for that matter, to an action under § 106(a)(3), if there was a distribution of the copies).

Id. (footnote omitted; emphasis added); *see also* 17 U.S.C. § 201(a) ("Copyright in a work protected under this title vests initially in the author or authors of the work."). The Court's example thus involves copies that are authorized by the owner of the U.S. copyright – *i.e.*, the author of the work – but that may not be imported without separate authorization.

2. Petitioner disputes this straightforward understanding of the Court's discussion in *Quality King*, arguing that the "reason" that such copies would not be "lawfully made under this title" is because "the hypothetical British distributor . . . sold directly into the U.S. before there was any first sale." Pet. Br. 41. That explanation cannot be squared with the Court's clear statement that "only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a)." 523 U.S. at 148. Nor does it make any

sense to suppose that a publisher could evade the restriction on importation simply by selling to a middleman overseas. The *Quality King* Court's analysis depended on the understanding that it is *not* the case that any copy made under the authority of the U.S. copyright owner is subject to § 109(a). Instead, a copyright owner may grant distribution rights under the U.S. copyright to one licensee and distribution rights under a foreign copyright to others.[6]

Furthermore, the Court's construction of § 109(a) was central to the Court's holding that § 602(a)(1) is subject to the first-sale defense; it is no mere dicta. *See Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 67 (1996) ("When an opinion issues for the Court, it is not only the result but also those portions of the opinion necessary to that result by which we are bound."); *Ashcroft v. ACLU*, 535 U.S. 564, 594 (2002) (Kennedy, J., concurring in the judgment) (statement that was "one rationale for the holding of the case" cannot be dismissed as dicta); *Freytag v. Commissioner*, 501 U.S. 868, 902-03 (1991) (Scalia, J., concurring in part and concurring in the judgment) (Court should "follow the course mapped out" in prior

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[6] Under modern copyright law, national exhaustion (or, in the case of the European Union, community-wide exhaustion) – not international exhaustion – is the norm. *See* Ryan L. Vinelli, *Bringing Down the Walls: How Technology Is Being Used To Thwart Parallel Importers Amid the International Confusion Concerning Exhaustion of Rights*, 17 Cardozo J. Int'l & Comp. L. 135, 148-51 (2009). Under a national exhaustion regime, a copyright owner may authorize a sale of a copy in one country without exhausting its right to bar distribution of that copy in another. *See* Theo Papadopoulos, *The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products*, 2 Ent. L. 40, 50 (2003). U.S. law is consistent with the prevailing view.

decision where earlier statement was "essential part of [the Court's] reasoning"); *County of Allegheny v. ACLU*, 492 U.S. 573, 668 (1989) (Kennedy, J., concurring in the judgment in part and dissenting in part) ("As a general rule, the principle of *stare decisis* directs us to adhere not only to the holdings of our prior cases, but also to their explications of the governing rules of law."). And it is well settled that "[c]onsiderations of *stare decisis* have special force in the area of statutory interpretation," where "Congress remains free to alter what [this Court] ha[s] done." *Patterson v. McLean Credit Union*, 491 U.S. 164, 172-73 (1989).

Congress recently recodified § 602(a)(1). In doing so, it could have addressed any portion of the analysis in *Quality King* with which it did not agree. Congress instead maintained § 602(a)(1) unchanged. Indeed, the understanding that § 602(a)(1) bars importation of legitimate copies made and sold abroad for foreign distribution has been the prevailing law for nearly 30 years. *See* 2 *Goldstein on Copyright* § 7.6.1.2.a, at 7:141. Congress has amended the Copyright Act more than 50 times since the district court for the Eastern District of Pennsylvania decided *CBS, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd*, 738 F.2d 424 (3d Cir. 1984) (table), which first held that the first-sale defense of § 109(a) was not available in the case of goods manufactured and sold abroad. Virtually every case to decide the issue in the subsequent decades – in circumstances involving all types of copyrighted works, including literary works, computer programs, and graphic works – has reached the

same result.[7] When Congress has disapproved of the results reached under the courts' reading of the Copyright Act, it has not hesitated to amend the law. *See supra* note 4. The long period of congressional inaction in the face of effectively unanimous judicial interpretation argues strongly against the adoption of the conflicting interpretation that petitioner advocates. *Cf. Bragdon v. Abbott*, 524 U.S. 624, 645 (1998) ("When . . . judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its . . . judicial interpretations as well.").

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[7] *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994); *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Microsoft Corp. v. Big Boy Distribution LLC*, 589 F. Supp. 2d 1308, 1317 (S.D. Fla. 2008); *Microsoft Corp. v. Intrax Group, Inc.*, No. C 07-1840 CW, 2008 WL 4500703, at *3 (N.D. Cal. Oct. 6, 2008); *Microsoft Corp. v. Cietdirect.com LLC*, No. 08-60668-CIV, 2008 WL 3162535, at *5 (S.D. Fla. Aug. 5, 2008); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3 (S.D.N.Y. May 13, 2008); *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla. 2006); *U2 Home Entm't, Inc. v. Lai Ying Music & Video Trading, Inc.*, No. 04 Civ. 1233 (DLC), 2005 WL 1231645, at *4 (S.D.N.Y. May 25, 2005), *aff'd in part, vacated in part on other grounds*, 245 F. App'x 28 (2d Cir. 2007); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, No. SACV 02-1188, 2003 WL 22722410, at *3-*4 (C.D. Cal. Mar. 13, 2003); *Lingo Corp. v. Topix, Inc.*, No. 01 Civ. 2863 (RMB), 2003 WL 223454, at *4 (S.D.N.Y. Jan. 31, 2003); *Hearst Corp. v. Stark*, 639 F. Supp. 970, 976-77 (N.D. Cal. 1986); *Selchow & Righter Co. v. Goldex Corp.*, 612 F. Supp. 19, 25 (S.D. Fla. 1985); *Nintendo of Am., Inc. v. Elcon Indus., Inc.*, 564 F. Supp. 937, 943-44 (E.D. Mich. 1982); *cf. UMG Recordings, Inc. v. Disco Azteca Distribs., Inc.*, 446 F. Supp. 2d 1164, 1173 (E.D. Cal. 2006).

C. The First-Sale Defense Cannot Apply to Authorized Copies, Made and Sold Abroad for Foreign Distribution, Without Depriving § 602(a)(1) of Significance

1. The conclusion that § 109(a) does not apply to foreign-made copies sold for distribution abroad is likewise necessary to avoid depriving § 602(a)(1) of practical significance. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3228 (2010) (avoiding construction that would "violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous"); *New Process Steel, L.P. v. NLRB*, 130 S. Ct. 2635, 2640 (2010) (adopting construction as "the only way to harmonize and *give meaningful effect to* all of the provisions" in the statutory provision) (emphasis added). That principle has particular force in this context, because § 109(a) and § 602(a)(1) were adopted as part of the same legislation, the Copyright Act of 1976. *See Bilski*, 130 S. Ct. at 3251 (Stevens, J., concurring in the judgment).

Section 602(a)(1) states that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106." 17 U.S.C. § 602(a)(1). To make sense of this provision in the context of § 602 as a whole, it must be read to apply not only to unauthorized or piratical copies, but to authorized copies as well. *See* 2 *Goldstein on Copyright* § 7.5.2, at 7:130.1 ("Section 602(a)[(1)] encompasses both piratical and gray market goods, and provides that their unauthorized importation into the United States infringes section 106(3)'s exclusive right to distribute").

Indeed, the Court already reached this conclusion in *Quality King*. *See* 523 U.S. at 147.

The conclusion that § 602(a)(1) must apply to non-piratical copies made and sold abroad – notwithstanding the first-sale doctrine – is plainly correct. Sections 602(a)(2) and 602(b) provide remedies in the case of piratical goods that would entirely subsume § 602(a)(1) if that provision were limited to unauthorized copies. Section 602(a)(2) provides that "[i]mportation into the United States . . . without the authority of the owner of copyright under this title, of copies . . . the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement . . . actionable under sections 501 and 506." 17 U.S.C. § 602(a)(2). And § 602(b) prohibits importation of such copies, providing United States Customs and Border Protection authority to prevent importation of such piratical copies.

The Court in *Quality King* made clear that § 602(a)(1) applies to copies lawfully made under a foreign copyright, *see supra* Part I.B; it also noted, however, that, "even if § 602(a)[(1)] did apply only to piratical copies, it at least would provide the copyright holder with a private remedy." 523 U.S. at 146. But § 602(a)(2) now provides that private remedy – a remedy that applies not only to importation but also to exportation – to complement the criminal and Customs-enforcement remedies provided in § 602(a)(2) and § 602(b). Section 602(a)(1) provides no additional remedy with respect to piratical copies; its sole purpose is with respect to copies lawfully made under some other law.

The Court also noted that, "because the protection afforded by § 109(a) is available only to the 'owner' of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any nonowner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful." *Id.* at 146-47. But, as a leading commentator has noted, "[i]t may be wondered whether such potential causes of action are more than theoretical" because, "'[i]n a typical commercial transaction, . . . the shipper transfers "possession, custody, control *and title* to the products."'" 2 *Nimmer on Copyright* § 8.12[B][6][c], at 8-178.4(6) n.111.61 (citations omitted; emphasis added). If Congress intended § 602(a)(1) to apply only to copies imported by non-owners, it hardly would have used the broad phrase "acquired outside the United States." *See* ABA Recommendation at 9 ("We share the view of the . . . court [in *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834 (DCP), 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009)] that it would be troubling if th[e] category of works [subject to § 602(a)(1)] were limited to those held by bailees and similar possessors, in light of the statute's broad language.").

The understanding that § 602(a)(1) applies to legitimate copies is further reinforced by the fact that the other provisions of § 602 make clear that, when Congress intends to limit statutory coverage to piratical copies, it does so expressly. Congress designates unauthorized copies by referring to circumstances "where the making of the copies" "would have constituted an infringement of copyright if this title had been applicable." 17 U.S.C. § 602(a)(2), (b). Had it

intended to limit the coverage of § 602(a)(1) in that fashion, it could have done so.

2. The legislative history of § 602(a)(1) strongly reinforces the conclusion that the provision was intended to protect the right to domestic distribution granted in § 106(3) by prohibiting importation of legitimate copies without authorization from the owners of the copyright. From its inception, it was understood that "what was at issue" in the draft provisions leading up to § 602(a)(1) was a copyright owner's ability "to grant a U.S. distributor an exclusive right to distribute copies of the work in the United States." 4 William F. Patry, *Patry on Copyright* § 13:42, at 13-89 (2010).

In legislative deliberations leading up to the adoption of the 1976 Copyright Act, the Copyright Office explained that the new provision would address foreign copies that, although lawfully made for distribution abroad, "if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." Staff of H. Comm. on the Judiciary, 88th Cong., *Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 203 (Comm. Print 1964). The Register of Copyrights clearly distinguished between the prohibition on importation of "piratical" copies in proposed § 602(b) – which would reach any "unauthorized edition" made abroad – from "importation for infringing distribution," *i.e.*, where "copies . . . were lawfully made but their distribution *in the United States* would violate the exclusive rights of the U.S. copyright owner." Staff of H. Comm. on the Judiciary, 89th Cong., *Copyright Law Revision Part 6: Supplementary Report of the*

Register of Copyrights on the General Revision of the U.S. Copyright Law 149-50 (Comm. Print 1965) (emphasis added). The Register stated specifically that the new provision would apply, for example, where "the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." *Id.* at 150.

The House Report likewise explains that "Section 602 . . . deals with two *separate* situations: importation of 'piratical' article[s] (that is, copies . . . made without any authorization of the copyright owner), and unauthorized importation of *copies . . . that were lawfully made*." H.R. Rep. No. 94-1476, at 169 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5785 (emphases added).

D. The Ninth Circuit's Judgment Is Consistent with Traditional Exhaustion Principles

As the Court made clear in *Quality King*, the scope of the copyright first-sale defense is governed "not by judicial interpretation, but by an express statutory provision." 523 U.S. at 142. Nevertheless, the conclusion that a copyright owner does not forfeit its exclusive domestic distribution right with respect to foreign-made copies made and sold for distribution abroad also is consistent with the history and policy underlying the first-sale doctrine.

Congress first adopted a statutory first-sale defense as part of the Copyright Act of 1909 to codify the holding of *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). The Court there held that the statutory right to "vend" did not entail the right to impose, under the copyright statutes, restrictions on the terms under which downstream purchasers would be permitted to resell copies they acquired free of any

contractual restrictions. Central to the Court's holding was its determination that the copyright owner had, by selling the copies at issue in the United States, "*exercised* the right to vend." *Id.* at 351 (emphasis added). The case thus reflects the notion that, "once the copyright owner first sells a copy of the work, his right to control its further distribution is exhausted." 2 *Nimmer on Copyright* § 8.12[B][1][a], at 8-157.

The justification for the first-sale doctrine is that a copyright owner can, in general, realize the full value of his intellectual property rights upon an initial authorized sale. *See Bobbs-Merrill*, 210 U.S. at 351 ("The owner of the copyright in this case did sell copies of the book in quantities and at a price satisfactory to it."); 2 *Goldstein on Copyright* §§ 7.6.1.1.b, 7.6.1.2.a, at 7:134, 7:141; *cf. United States v. Univis Lens Co.*, 316 U.S. 241, 251 (1942) ("The reward [the patentee] has demanded and received is for the article and the invention which it embodies and which his vendee is to practice upon it.").[8] To the

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[8] A U.S. patent owner does not exhaust its right to exclude others from the use of its invention by making and selling an article under a foreign patent. The Federal Circuit (whose law governs this question) has reconfirmed that a sale by a patent owner under the law of a foreign country does not exhaust the patent owner's rights to prevent infringing use (including importation) of the article sold. *See Fujifilm Corp. v. Benun*, 605 F.3d 1366, 1371 (Fed. Cir.) (per curiam), *cert. denied*, 131 S. Ct. 829 (2010). *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008), is in no way inconsistent: that case involved an authorized sale by a licensee under the U.S. patent, not a foreign sale governed by foreign patent law. *See id.* at 623-24 (describing broad license under U.S. patent).

Furthermore, there is no inconsistency between the current rule and traditional patent exhaustion doctrine. In fact, it long has been settled (as the defendant-appellee in *Bobbs-Merrill*

extent that a copyright owner is able to realize the full value of the intellectual property on first sale, there is less justification, at least for purposes of securing to the copyright owner the reward for his work, for allowing a copyright holder to restrict the terms of subsequent sales of the copy at issue.

Here, by authorizing copies of its copyrighted work to be made abroad, respondent exercised none of its rights under the Copyright Act and thus could not exhaust them. Furthermore, when a copy is sold subject to the restriction that it is not authorized for importation and distribution in the United States, the copyright owner has not bargained for or received compensation for the value of U.S. rights. *See* Richard A. Epstein, *Notice and Freedom of Contract in the Law of Servitudes*, 55 S. Cal. L. Rev. 1353, 1360 (1982). To the contrary, where such exclusive rights are granted to someone else (or exercised by the copyright owner itself), "competition with lower priced imports would inevitably prevent the United States copyright owner from realizing the full value of the copies . . . that it sells." 2 *Goldstein on Copyright* § 7.6.1.2.a, at 7:141; *see also Swatch*, 454 F. Supp. 2d at 1254 ("Under Section 602(a)[(1)], Swatch had the right to prevent these products from entering

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conceded) that the owner "both of foreign and domestic patents for a particular invention" may "sell goods under the patent of a foreign country and reserve to himself the right to sell under the United States letters patent." Brief for Appellee at 36, *Bobbs-Merrill Co. v. Straus*, No. 176 (U.S. filed Jan. 18, 1908) (citing *Dickerson v. Tinling*, 84 F. 192 (8th Cir. 1897); *Dickerson v. Matheson*, 57 F. 524 (2d Cir. 1893)); *see also Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp.*, 266 F. 71, 79 (2d Cir. 1920) ("[I]f the aeroplanes which are alleged to infringe had been built in Canada under a limited license, or under a Canadian patent, and then brought into the United States, infringement would have been made out.").

the United States and competing with the identical products authorized to be distributed here.").

Furthermore, there is nothing inconsistent with long-standing copyright principles about using a U.S. copyright to enforce the division of international markets among distributors of a work. As long ago as 1879, the writer of the leading treatise – extensively relied on by the Court in *Bobbs-Merrill* – observed:

> [A]n American author, who on certain conditions can secure a copyright for his work both in the United States and in England, may make a valid assignment of the English copyright to one person, and either himself retain or assign to another the American copyright. . . . [I]n such case there is no division of copyright. The copyright granted by one government is wholly distinct from that conferred by another. When protection is secured for the same work in different countries, there is a separate and independent copyright *for each country*.

Eaton S. Drone, *A Treatise on the Law of Property in Intellectual Productions in Great Britain and the United States* 336 (1879) (emphasis added). The suggestion that the first-sale doctrine was traditionally applied in the case of copies that had been made and sold abroad is not correct. To the contrary, rights granted under U.S. law have been recognized as distinct from rights granted under foreign law; granting distribution rights under foreign law has never exhausted domestic distribution rights.

II. UNDER A CORRECT CONSTRUCTION, § 109(a) APPLIES TO COPIES SOLD IN THE UNITED STATES WITH THE COPYRIGHT OWNER'S AUTHORIZATION

A. The Second Circuit stated that the phrase "lawfully made under this title" in § 109(a) "refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." Pet. App. 27a-28a. The Second Circuit correctly held that a copy made overseas for distribution abroad is not "lawfully made under this title." At the same time, the court's suggestion that § 109(a) refers *only* to the location of manufacture was unnecessary to its holding because the copyright owner had not authorized the foreign-made copies for importation or distribution in the United States. As the Ninth Circuit recognized in *Omega* – that does not resolve the question whether copies manufactured abroad might, in other circumstances, be "lawfully made under this title" and therefore subject to § 109(a).

In fact, a copy can be "lawfully made under this title" because it carries with it – by virtue of rights granted to the manufacturer or distributor by the copyright owner, for example – a license under the Copyright Act to be distributed in the United States. Such a license can be granted irrespective of where the copies are manufactured. For example, an author could grant a publisher the right to distribute copies of a work in the United States; the publisher could print the works in Canada (for example) and then import and distribute the copies in the United States without infringing any of the author's exclusive rights under U.S. law. Such copies are "lawfully made under this title" within the meaning of § 109(a)

because they were made pursuant to a license *under U.S. law* that permits the copies to be lawfully distributed in the United States. The making of the copies is thus both *governed by* U.S. law – because U.S. law governs whether the publisher has a license to distribute the copies in the United States – and *consistent with* U.S. law – because the owner of the U.S. copyright granted the license.

That construction of § 109(a) is consistent with the statutory text and with the explication of that statutory text given above. Section 109(a) applies to "a particular copy or phonorecord lawfully *made* under this title." 17 U.S.C. § 109(a) (emphasis added). The term "made" does not correspond to any of the specific rights enumerated under § 106; there is no exclusive right to "make" a copy or phonorecord. There accordingly is no reason to understand "lawfully made under this title" as being limited to "lawfully *reproduced* under this title." *See id.* § 106(1). Rather, when determining whether a "particular copy" is "lawfully made," a court should consider not only whether it was reproduced in the United States with the copyright owner's authorization but also whether the copyright owner authorized, under U.S. law, the importation or distribution of the particular copy. If the copyright owner has done so, then the copy is "lawfully made under this title" – that is, its making was both governed by and consistent with U.S. copyright law.

This reading makes particular sense because the first-sale doctrine qualifies the right to *distribute* copies – not the right to *reproduce* copies. *See* 2 *Nimmer on Copyright* § 8.12[A], at 8-154. The determination whether a particular copy is "lawfully made under this title" must refer to the characteris-

tics of the particular copy at the time of sale by the owner of the copy, not at the time of reproduction. For example, a U.S. copyright owner could, after a particular copy is reproduced abroad, authorize domestic distribution of that foreign-made copy. Such a copy – once authorization to distribute in the United States is granted – is "lawfully made under this title." The conferral of intangible intellectual property rights is as much a part of "making" the copy as the reproduction of the physical object.

At the same time, when a copy is reproduced overseas, the author may withhold any authorization to import or distribute the copy in the United States – as this Court noted in *Quality King*. *See supra* pp. 11-12. Such a copy does not carry with it any rights under U.S. copyright law; it cannot be said to be "lawfully made *under this title*" without depriving the highlighted words of all meaning. That understanding of the phrase "lawfully made under this title" is, moreover, consistent with the policy underlying the first-sale doctrine. A foreign-made copy will be "lawfully made under this title" precisely in those cases where the owner of the exclusive U.S. distribution right has "exercised" that right with respect to the particular copy. *Bobbs-Merrill*, 210 U.S. at 351. If the copyright owner has exercised no U.S. rights – by reproducing the copy abroad exclusively for sale abroad – U.S. law in no way governs the making of the particular copy.

Petitioner argues that treating a foreign-made copy that the copyright owner has authorized for distribution in the United States as "lawfully made under this title" "sacrifices . . . fidelity to the statutory text." Pet. Br. 25. But Petitioner fails to distinguish between the tangible copy and the intangible intel-

lectual property rights that are governed by the Copyright Act. *See* 17 U.S.C. § 202 ("Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied."). The question whether a copy is "lawfully made under this title" for purposes of the first-sale doctrine appropriately focuses on whether the copyright owner has or has not exercised intellectual property rights under the Copyright Act with respect to that tangible copy. And, if a copy carries with it authorization for sale in the United States by virtue of the copyright owner's affirmative exercise of exclusive rights under U.S. law, it is "lawfully made under this title."

B. Recognition that "lawfully made under this title" does not refer to the location of manufacture but, instead, to the rights exercised by the U.S. copyright owner under the Copyright Act is not only the best reading of the language of the statute; it also demonstrates why none of the supposed anomalies identified by petitioner and his *amici* has ever come to pass.

The result in *this* case under either interpretation produces no anomaly. Respondent authorized both a U.S. edition of the work and an edition for sale overseas but not in the United States; the foreign edition was printed abroad. Under no plausible construction of the statutory language can copies of the foreign edition be said to have been "lawfully made under this title," because – as noted above – their manufacture and distribution abroad did not involve the exercise of any of the U.S. copyright owner's exclusive rights. And the ability of a work's author to authorize separate U.S. and foreign editions of copyrighted works is at the heart of what Congress intended to

accomplish through the enactment of § 602(a)(1). *See Quality King*, 523 U.S. at 147-48. By importing the copies of an edition not authorized for importation or domestic distribution, petitioner deliberately undermined the value of the copyright owner's exclusive U.S. distribution rights, in violation of the statute.

Petitioner argues, however, that a copyright owner should not be able to control the further distribution of a foreign-manufactured work after an authorized sale in the United States. The possibility that any copyright owner would even attempt to use its copyright in this manner, however, is not only hypothetical, but counterfactual. The result in this case reflects the prevailing law as it has stood for 30 years – that is, since the district court's decision in *Scorpio*, which was followed nearly unanimously both before and after this Court decided *Quality King*. *See supra* note 7. If that interpretation of the Copyright Act invited bad consequences, they would have arrived long ago. But – notwithstanding petitioner's dire rhetoric – the supposed problem of assertion of exclusive distribution rights against downstream purchasers of copies that were lawfully imported and sold in the United States simply does not exist. We are aware of no reported case (at least since *Bobbs-Merrill*) in which a copyright owner sought to enforce restrictions on resale of a copy sold pursuant to the copyright owner's acknowledged authorization, and petitioner cites none. More revealing: petitioner's *amici* represent thousands of businesses, owning hundreds of thousands of retail locations, and include some of the most powerful corporate interests in America. If any copyright owner had asserted the right to control resale of a copy that was sold in the United States pursuant to the copyright owner's

authorization, *amici* would be aware of it. *Amici* offer neither any evidence that such a thing has occurred in the past nor any plausible scenario in which it might occur in the future.

In any event, under a correct construction of § 109(a) – and other provisions that include the phrase "lawfully made under this title" – the same protections that apply to copies reproduced in the United States apply to any copy that was imported or sold in the United States pursuant to the U.S. copyright owner's authorization, because all such copies are "lawfully made under this title." Moreover, in most circumstances, an authorized, unrestricted sale – whether in the United States or abroad – would confer such unrestricted resale rights. For example, in *Disenos Artisticos e Industriales, S.A. v. Costco Wholesale Corp.*, 97 F.3d 377 (9th Cir. 1996), the copyright owner authorized its licensee manufacturers to sell copies of the copyrighted work "anywhere in the world"; the court properly concluded that such authorization "necessarily implies authority to import the goods into the United States." *Id.* at 382. Because the manufacture of the copies at issue in that case involved the exercise of rights granted to the copyright owner under U.S. law, such copies were "lawfully made under this title" – and the first-sale doctrine applied to them.[9]

In most cases, an unconditional sale by (or authorized by) a U.S. copyright owner abroad – in the

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[9] The Ninth Circuit rejected the plaintiff's claim under § 602(a)(1), not on the basis of the first-sale doctrine, but because the plaintiff who sought to enforce restrictions on distribution of the copyrighted work did not own the copyright, and accordingly could not "use Section 602(a)[(1)] to control its distribution network." *Disenos Artisticos*, 97 F.3d at 382.

absence of express restrictions – will confer implied authorization for importation into the United States, and the copy will therefore properly be deemed "lawfully made under this title." That would certainly be true of an original artwork or software used in an automobile – to use two of the examples employed by petitioner and his *amici*. *See* Brief of Ass'n of Art Museum Directors, *et al.*; Pet. Br. 57. No art dealer would purchase a work subject to the restriction that it could not be imported into the United States, and it is far-fetched to believe that any artist would attempt to impose such a restriction. A collector who purchased such a work in Spain could import it without any concerns about violation of U.S. copyright law, and could confidently display it as "lawfully made under this title." *See* 17 U.S.C. § 109(c). No automobile manufacturer would purchase software subject to any restriction on importation into the United States; because the copy of the software would presumably carry a worldwide license – including in particular a license under U.S. copyright law – it thus would be "lawfully made under this title."[10]

Supposed concerns about improper restriction imposed after an authorized U.S. sale are simply a stalking horse. What petitioner and his *amici* seek is to eliminate the right that Congress granted U.S. copyright owners to block unauthorized importation of copies made subject to the explicit restriction that they are authorized only for sale abroad. But the

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[10] An author could grant a single manufacturer worldwide distribution rights under the copyright laws of various countries. In that case, the copies could well be made under both U.S. copyright law (because the copies are lawfully made for distribution in the United States) and the copyright law of other countries as well.

right to segment markets brings important benefits to both consumers and producers, particularly with respect to goods that have a significant intellectual property component.[11] The purpose of copyright (and patent) law is to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. Congress made the quite reasonable judgment that protecting the value of U.S. distribution rights would help to promote creative efforts – benefiting all consumers. That is a judgment entirely within Congress's power to make. *See Golan v. Holder*, 132 S. Ct. 873, 887-89 (2012); *Eldred v. Ashcroft*, 537 U.S. 186, 207 n.15 (2003); *see also Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984) (noting that courts are deferential to Congress's judgment regarding copyright).

CONCLUSION

The judgment of the court of appeals should be affirmed.

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[11] *See generally* Robert D. Anderson *et al.*, *Intellectual Property Rights and International Market Segmentation in the North American Free Trade Area*, *in Competition Policy and Intellectual Property Rights in the Knowledge-Based Economy* 397 (Robert D. Anderson & Nancy T. Gallini eds., 2007).

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AMICUS CURIAE BRIEF

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No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF *AMICI CURIAE* POWELL'S BOOKS INC., STRAND BOOK STORE, INC., HALF PRICE BOOKS, RECORDS, MAGAZINES, INC., AND HARVARD BOOK STORE INC. IN SUPPORT OF PETITIONER

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INTEREST OF THE *AMICI CURIAE*[1]

Amici are among the nation's best-known independent booksellers.

Powell's Books, based in Portland, Oregon, is the world's largest independent used and new bookstore. It was founded in 1971.

The Strand Book Store, founded in 1927, stocks more than 2.5 million used and new books. In the 1970s, George F. Will wrote, "the eight miles worth saving in this city are at the corner of Broadway and 12th Street. They are the crammed shelves of the Strand Book Store."

Half Price Books began in a converted Dallas laundromat in 1972, and has grown to 115 locations in sixteen states. Those stores buy and sell new and used books, magazines, comics, records, CDs, DVDs and collectible items.

Harvard Book Store is an independently run bookstore serving the greater Cambridge area. The bookstore is located in Harvard Square and has been family-owned since 1932. It is known for its extraordinary selection of new, used, and bargain books and for a history of innovation.

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1. Counsel for the parties have consented in writing to the filing of this brief. Pursuant to Rule 37.6, no counsel for either party had any role in authoring this brief in whole or in part, and no party other than the named *Amici* has made any monetary contribution toward the preparation and submission of this brief.

Amici regularly buy and sell used as well as new books. We have no relationship with the parties and no direct stake in the outcome of this case, but we have a strong interest in ensuring that the marketplace for books remains robust in the digital era.

SUMMARY OF THE ARGUMENT

For centuries the free movement of goods has been a fundamental principle of American law. Restraints on alienation are strongly disfavored because they interfere with the workings of a free market. Over a century ago, this Court held that a bookseller could not control the price at which its books were resold. Once the copyright owner sold copies "in quantities and at a price satisfactory to it[, it] exercised the right to vend," exhausting that right with respect to the particular copies sold. *Bobbs-Merrill v. Straus*, 210 U.S. 339, 351 (1908). That principle was enacted into the Copyright Act the following year. Copyright Act of 1909, ch. 320, § 1, 17 U.S.C. § 41 (1946) ("nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained"). It was reaffirmed in the 1976 Act. 17 U.S.C. §109(a). And it has been a fundamental part of copyright law for the past two centuries.

In the modern world, traffic in ideas and goods is international. Books first published in the United States are frequently manufactured abroad. Books first released abroad are sold over the Internet everywhere in the world. Buyers of books also travel, and frequently resell their books in a different place from where they bought them.

Unfortunately, the Second Circuit has held in this case that the venerable principle of exhaustion of rights has no applicability when goods cross national borders. The practical effect of that decision is to make it more difficult for struggling bookstores to sell used books. A bookstore has no way of knowing whether the used books it buys were first sold in the United States or not. But under the Second Circuit's ruling, bookstores could be sued at any time for offering books that turn out to have been lawfully sold by the publisher on the wrong side of a border. The Second Circuit's decision imposes a practical restraint on alienation that is inconsistent with the long-standing principle of copyright exhaustion, and this Court should reject it.

ARGUMENT

I. Copyright Exhaustion Has Long Been a Central Feature of Copyright Law

The copyright exhaustion doctrine arose from the common-law aversion to restraints on alienation.[2] It was well-established in the Nineteenth Century that "inseparably with the transfer of the title in any copy of the work must go the right of alienation, so far as the peculiar protection of the copyright statutes is concerned." *Henry Bill Pub. Co. v. Smythe*, 27 F. 914 (C.C.S.D. Ohio 1886). *Henry* described exhaustion upon first sale as a "doctrine running through all the cases." *Id.* at 923.

2. For a discussion of this history, see, e.g., Jason P. Schultz & Aaron Perzanowski, *Digital Exhaustion*, 58 UCLA L. Rev. 889 (2012); Molly S. van Houweling, *The New Servitudes*, 96 Geo. L.J. 885, 897-98 (2008); Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 Harv. L. Rev. 945, 982 (1928).

Accord Harrison v. Maynard, Merrill & Co., 61 F. 689 (2d Cir. 1894); *Doan v. American Book Co.*, 105 F. 772, 776-77 (7th Cir. 1901).

This Court took up the exhaustion doctrine in *Bobbs-Merrill v. Straus*, 210 U.S. 339, 351 (1908). There, the copyright owner had sold a book with a notation that it was not to be resold for less than a dollar. The defendant bought copies of the book at wholesale and sold them at retail for 90 cents. When the plaintiff sued for copyright infringement, this Court held that the lawful first sale exhausted any control over the defendant's subsequent sales. It explained that the point of the copyright laws was to prevent the making and distribution of new copies, not to put limits on commerce in existing copies. *Id.* at 347 ("it is evident that to secure the author the right to multiply copies of his work may be said to have been the main purpose of the copyright statutes."). As a result, this Court said, "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Id.* at 349-50.

While the Court described the question as one of statutory construction, that statutory construction occurred against a backdrop of common-law principles permitting free alienability of goods. While the statute in that case gave the copyright owner the exclusive right to "vend" the works, the Court refused to read that language as controlling all sales rather than merely the first sale: "What the complainant contends for embraces not only the right to sell the copies, but to qualify the title of a future purchaser." *Id.* at 351. Thus, the Court applied the common law doctrine of exhaustion of rights upon first sale to limit

what might otherwise have been argued to be the plain language of the statute.

The same common-law principle can be seen in this Court's interpretations of the Patent Act. In *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 18 (1913), the Court faced the same issue as in *Bobbs-Merrill*: whether a patentee could control the price of resale of a patented good after a lawful first sale. Noting the close kinship between patent and copyright law on this very point,[3] the court emphasized the common-law disdain for restraints on alienation: "this court from the beginning has held that a patentee who has parted with a patented machine by passing title to a purchaser has placed the article beyond the limits of the monopoly secured by the patent act." *Id.* at 18. That common law principle retains its vitality today. In its most recent opinion on the issue, this Court adhered to the "longstanding principle that, when a patented item is once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee." *Quanta Computer v. LG Elecs.*, 553 U.S. 617, 630 (2008).

The principle of exhaustion upon first sale, then, has been a feature of the patent and copyright laws as long as we have had such laws. *See* Jason P. Schultz & Aaron Perzanowski, *Copyright Exhaustion and the*

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3. *Id.* at 12-13 ("While [the copyright] statute differs from the patent statute in terms and in the subject-matter intended to be protected, it is apparent that, in the respect involved in the present inquiry, there is a strong similarity between and identity of purpose in the two statutes."). Both statutes at the time granted the exclusive right to "vend" copyrighted or patented works; today, the patent statute has replaced "vend" with "sell," while the copyright law has replaced "vend" with "distribution of copies to the public."

Personal Use Dilemma, 86 MINN. L. REV. __ (forthcoming 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1925059. That principle does not spring from an accident of statutory drafting. To the contrary, this Court has read exhaustion into the law even when interpreting words like "sell" or "vend" that seem to contain no first sale limitation.

Congress has repeatedly acceded to this Court's application of the exhaustion doctrine in copyright cases. Only a year after *Bobbs-Merrill*, Congress added the exhaustion doctrine to the new Copyright Act of 1909, ch. 320, § 1, 17 U.S.C. § 41 (1946) ("nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained"). When it embraced *Bobbs-Merrill*, Congress made it clear that it did "not intend[ ] to change in any way existing law." H.R. Rep. No. 60-2222, at 19 (1909), *reprinted in* E. FULTON BRYLAWSKI & ABE GOLDMAN, 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT (1976). That "existing law" was the common law exhaustion principles articulated by the courts.

Similarly, the 1976 Act adopted a first sale doctrine in 17 U.S.C. § 109(a). Like the 1909 Act, the legislative history of the 1976 Act indicates Congressional intent to "restate[ ] and confirm[ ]" the first sale rule "established by court decisions." H.R. Rep. No. 94-1476, at 79 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693. Congress, then, did not think it was abolishing or limiting the exhaustion principle in the 1976 Act. To the contrary, it intended to codify that common law principle as set out in this Court's decisions.

II. Bookstores Have Long Relied on the Exhaustion Doctrine, and Continue To Do So

Bookstores, including *amici*, have relied on the copyright exhaustion doctrine for centuries to permit the sale of used books. *Amici* have been operating under this legal principle since as early as 1927, and other bookstores have been selling used books for centuries longer. Indeed, the sale of used books which had been printed abroad and imported without the authority of the publisher was a widespread practice since before our nation's founding. *See generally* MADELEINE B. STERN, ANTIQUARIAN BOOKSELLING IN THE UNITED STATES (1985).

Given the long history and widespread nature of the importation of books for the purpose of further distribution, the interpretation Wiley advances would have made pirates even out of our Founding Fathers. In the 1730s and 40s, Benjamin Franklin operated a bookstore on Market Street in Philadelphia stocked primarily with books imported from British dealers. STERN at 22. If Franklin opened his bookstore today, on Wiley's view, virtually every sale he made would be an infringement of copyright, since each such sale would constitute distribution of books manufactured abroad.

In the 1820s, Thomas Jefferson worked closely with Boston bookseller William Hilliard to build a collection of books for the newly-founded University of Virginia, consisting in large part of the importation of books purchased abroad from book dealers and at auction. STERN at 7-8. If Jefferson did so today, under Wiley's

interpretation of the law, he would need to secure the permission of each publisher each time a book was lent.[4]

The Founding Fathers recognized, as *amici* do, the critical role that second-hand bookstores play in the literary life of the nation.

Selling used books helps spread knowledge to those who might not otherwise be able to afford it, and it promotes reading. The sale of used books from abroad, in particular, helps American readers broaden their world view, as they are not limited to those books which have been published in the United States. Books published abroad are frequently not distributed in the United States by their publishers. Without used book stores, those books would be unavailable for purchase by American consumers. A clear and untrammeled first-sale rule has served the reading public well since the founding era, providing unique benefits to booksellers and readers alike.

The Second Circuit's decision threatens to destroy those benefits. In the modern world, books – like any other goods – cross borders. Books may be released by a U.S. publisher but manufactured abroad and shipped into the United States. They may be released at different times in different countries but sold online to a worldwide audience. Readers may order a box of used books from Amazon.com without knowing from where the books originally came. Publishers may release different versions of books

4. While 17 U.S.C. §602(a)(3) would excuse the act of *importing* books for a non-profit university library, under Wiley's reading of the statute those books are not "lawfully made under this title" under section 109(a) despite the legality of their importation, and so the act of lending them would violate section 106(3).

in different countries, and fans may acquire the version they prefer from abroad. *See, e.g.*, Alan Cowell, "Harry Potter and the Magic Stock," N.Y. TIMES, Oct. 18, 1999 ("Many American children and their parents, in fact, know Harry and his fellow students at the Hogwarts School of Witchcraft and Wizardry from the British versions they have bought over the Internet – books that use different art, different typography and in some cases different spelling and vocabulary than their American cousins."). Readers may purchase books in one country and move to another country, shipping their books along with them.

Each of these perfectly ordinary transactions is threatened by the opinion below. Consider a reader who buys a handful of copies of the British version of a *Harry Potter* book on the Internet for her book club, or a traveler who brings home a gift for a friend from Shakespeare and Company in Paris, or a professor of literature who brings his books when he moves to the United States and then donates his collection to the university library upon his retirement. Under the Second Circuit's interpretation of the Copyright Act, all those readers are infringing copyright even though they paid the copyright owner for the book. That fact itself should give us pause; it seems unlikely Congress really intended to make those benign acts illegal.

For bookstores that sell used books, however, the problem caused by the Second Circuit's rule is more than an inconvenience: it is an existential threat. Stores like Powell's Books purchase used books in bulk to sell in the store. Powell's may look at 5,000 used books at a time, making almost immediate decisions whether to buy a book or not. There is no realistic way for a bookstore

to tell whether a particularly copy of a book is one first sold in the United States or first sold in England. But if it was first sold in England, under the Second Circuit's rationale, both the customer's sale of the book to Powell's and Powell's subsequent sale of the book to a new reader violate the Copyright Act.

The Second Circuit's cramped reading of the law, then, puts bookstores in an impossible position. To comply with the law, they would for all practical purposes have to stop buying and selling used books in bulk, and could buy only those books which, upon close examination, indicate that they were printed in the United States. (Eventually, the proportion of books manufactured domestically would dwindle, given the incentive that Wiley's interpretation would give publishers to move book manufacturing abroad.)

And it is no answer to say that Wiley (or other reputable publishers) are unlikely to sue the bookstores. There are enough copyright owners out there – and enough crazy copyright lawsuits – that it is not always reasonable to rely on forbearance by copyright plaintiffs. *See, e.g.*, *In re BitTorrent Adult Film Copyright Infringement Cases*, CIV.A. 11-3995 DRH, 2012 WL 1570765 (E.D.N.Y. May 1, 2012) (decrying "a nationwide blizzard" of dubious lawsuits seeking quick settlements). In any event, no one should be put to the choice of violating the law and hoping they don't get caught or losing their business.

CONCLUSION

Selling used books has always been legal. And Americans have always imported some of the books they read. Congress did not intend to change that. An interpretation of the Copyright Act that makes impossible a practice that has been widespread since the early days of the Republic, one that promotes the progress of science, is an interpretation this Court should be reluctant to credit.

The judgment of the Court of Appeals should be reversed.

Respectfully submitted,

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AMICUS CURIAE BRIEF

RECORD AND BRIEFS

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In The
Supreme Court of the United States

SUPAP KIRTSAENG d/b/a BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF OF *AMICI CURIAE* PUBLIC KNOWLEDGE, ELECTRONIC FRONTIER FOUNDATION, AMERICAN ASSOCIATION OF LAW LIBRARIES, SPECIAL LIBRARIES ASSOCIATION, AND U.S. PUBLIC INTEREST RESEARCH GROUP IN SUPPORT OF PETITIONER

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INTEREST OF THE *AMICI CURIAE*

Public Knowledge, the Electronic Frontier Foundation, U.S. PIRG, the American Association of Law Libraries, and the Special Libraries Association respectfully submit this brief to urge the Court to preserve the protections of the first sale doctrine and reject an interpretation of the Copyright Act that would significantly burden the public interest in the free flow of information.[1] Public Knowledge is a nonprofit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in copyright and other intellectual property cases that threaten consumers, trade, and innovation.

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization working to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than

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[1] No counsel for a party authored this brief in whole or in part, nor made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, or their counsel, made a monetary contribution to its preparation or submission. All parties have granted consent to the filing of this brief.

19,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest.

The American Association of Law Libraries ("AALL") is a nonprofit educational organization with over 5,000 members nationwide. Its members serve the information needs of the legal community and the public at more than 1,900 academic, firm, state, court and county law libraries nationwide. AALL's mission is to promote and enhance the value of law libraries, to foster law librarianship, and to provide leadership and advocacy in the field of legal information and information policy.

The Special Libraries Association ("SLA") is a non-profit global organization for innovative information and knowledge professionals and their strategic partners. SLA serves some 10,000 corporate, academic, government, and other information specialists in seventy-five countries. SLA promotes and strengthens its members through learning, advocacy, and networking initiatives.

U.S. PIRG, the federation of state Public Interest Research Groups, is a national, nonprofit, nonpartisan consumer advocacy organization that stands up to powerful special interests on behalf of the American public. U.S. PIRG has long worked to promote the public interest on issues of consumer protection and affordable higher education, and believes an

expansive interpretation of the first sale doctrine is in the best interest of students and consumers.

SUMMARY OF ARGUMENT

To the extent that the Court faces a split between the interpretations offered by the Second and Ninth Circuits, it faces two relatively unappealing options. The Second Circuit's decision below could be interpreted to require the blessing of the copyright holder for every distribution of every foreign-manufactured copy of a copyrighted work. On the other hand, the Ninth Circuit's "authorized sale" exception, while allowing the free alienability of copies after an authorized sale in the United States, is not easy to square with either the plain text of the Copyright Act or its legislative history.

Both of these problematic outcomes can be avoided. Rather than embracing either interpretation, the Court can and should read the phrase "lawfully made under this title" as a comment on the lawfulness of a copy's creation, and not on the location of its manufacture. Such a reading will both adhere to the text of the Copyright Act and embrace the Act's purpose by allowing consumers to freely dispose of their personal property, regardless of where it was assembled.

ARGUMENT

I. The Second Circuit's erroneous interpretation of section 109(a) will impair trade, innovation, the public interest, and the free market for copies of copyright-protected goods.

The Second Circuit's interpretation of sections 109 and 602, if affirmed, creates enormous problems for secondary markets and for consumers. Contrary to the established principle that statutes should be interpreted to avoid absurd results, the Second Circuit's decision effectively gives copyright owners the right to control future redistributions of copies of works that were manufactured abroad, for the remaining decades of the copyright term. This erroneous reading imposes a variety of harms on consumers and retailers alike.

A. Sections 109 and 602 should be interpreted to avoid manifestly absurd results.

Courts have long recognized the principle that a statute's language should be interpreted to avoid absurd results. *See, e.g.*, *United States v. Wilson*, 503 U.S. 329, 334 (1992). Courts appeal primarily to the words of a statute, while recognizing that "statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning." *Pub. Citizen v. United States Dep't of Justice*, 491 U.S. 440, 455 (1989)

(quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir.) (Hand, J.), *aff'd*, 326 U.S. 404 (1945)). As a matter of statutory interpretation, the practical ramifications of a particular reading may suggest to a court whether Congress was likely to have intended that interpretation when it enacted the law. *See Church of the Holy Trinity v. United States*, 143 U.S. 457, 459 (1892) ("[F]requently words of general meaning are used in a statute, words broad enough to include an act in question, and yet a consideration of the whole legislation, or of the circumstances surrounding its enactment, or of the absurd results which follow from giving such broad meaning to the words, makes it unreasonable to believe that the legislator intended to include the particular act.").

The first sale doctrine, codified at 17 U.S.C. § 109, embodies Congress's intent to prevent copyright owners from exercising authority over physical copies after they have exhausted their ownership interest in those copies. *See* H.R. REP. NO. 60-2222, at 19 (1909) ("[I]t would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale"). This follows from the well-established principle that ownership of the physical object containing a copyright-protected work is distinct from ownership of the copyright itself. *See* 17 U.S.C. § 202 (2006); *Stevens v. Gladding*, 57 U.S. 447, 452-53 (1855). *See also* H.R. REP. NO. 98-987, at 2 (1984) ("the first sale doctrine has its

roots in the English common law rule against restraints on alienation of property").

As this Court noted in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, "[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope." 523 U.S. 135, 152 (1998). The House Report from Congress's enactment of the current version of the first sale doctrine does not even mention place of manufacture. In fact, the Report states that "Section 109(a) restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy . . . of a work, the person to whom the copy . . . is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. REP. NO. 94-1476, at 79 (1976).

The decision below, in particular, interprets section 109 so narrowly that sections 106 and 602 would entirely preclude secondary markets for all works that have been manufactured abroad. This leads to a manifestly absurd result that would both interfere with individuals' personal property rights and impose substantial transaction costs on consumers and businesses that operate in resale markets across many different commercial industries, contrary to the purposes of the Copyright Act and decades of legal interpretation.

B. The Second Circuit's decision permits copyright owners to indefinitely control the distribution of all foreign-manufactured copies.

Like the Ninth Circuit, the Second Circuit has concluded that the first sale doctrine does not allow buyers to distribute copies if the copies were originally manufactured abroad. Unlike the Ninth Circuit, however, the Second Circuit has declined to create an exception to sections 109 and 602 for foreign-manufactured goods that are sold within the United States with the permission of the copyright owner. As a result, absent the permission of the copyright holder, any distribution or redistribution of any foreign-manufactured copy could infringe copyright. This result undoes 150 years of common and statutory law establishing that the rightful owner of a physical copy of a work can dispose of that copy as he or she wishes. *See Sebastian Int'l, Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988) ("The first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property.") (citing *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); Richard Colby, *The First Sale Doctrine – The Defense That Never Was?*, 32 J. COPYRIGHT SOC'Y U.S.A. 77, 89 (1984); H.R. REP. NO. 98-987, at 2 (1984); 2 M. NIMMER, THE LAW OF COPYRIGHT § 8.12 (1987)).

Additionally, nearly any goods can have copies of copyrighted works affixed to them or incorporated

into the goods' packaging, making the consequences of the Second Circuit's interpretation difficult to understate. *See, e.g.*, *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (copyright lawsuit over labels affixed to hair care products). Thus, the Second Circuit's interpretation in this case would have a practical impact on, for example, a non-copyright-protected toy that is packaged in a box with copyright-protected visual art affixed to it, so long as the consumer desires to resell or give away the toy inside the original packaging.

1. New impediments to the resale of lawfully purchased goods harm U.S. consumers and businesses.

The Second Circuit's interpretation of sections 109 and 602 is likely to have dangerous consequences for both consumers and businesses that operate in resale markets. The court's reading of section 109 effectively removes a vast swath of copyright-protected goods from the well-established protections of the first sale doctrine. This precludes secondary markets for many goods entirely and creates substantial uncertainty for many other goods if the owner does not know where every copyrightable component of the product was manufactured. By extending liability for selling, lending, or otherwise disposing of lawfully purchased copies of copyright-protected works, the Second Circuit has exposed to legal risk a wide swath of activities, from holding a weekend garage sale, to selling a used car, to lending books to friends or

patrons, to providing online platforms for reselling goods.

The decision below has a particular impact on the market for used textbooks. Students in the United States have suffered from price discrimination by textbook publishers for years, and only recently have tools like more efficient shipping technology and the Internet enabled students to access lawfully purchased textbooks at more affordable prices. In 2005, the United States Government Accountability Office found that college textbook prices in the United States have risen 186% in the last two decades – more than twice the rate of inflation. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS: ENHANCED OFFERINGS APPEAR TO DRIVE PRICE INCREASES (July 2005), *available at* http://www.gao.gov/assets/250/247332.pdf. In the 2003-2004 school year, the average estimated cost of textbooks for full-time students at four-year public institutions in the United States was $898 per year. *Id.* at 2. Industry representatives and public interest groups have expressed concern that publishers unnecessarily raise textbook prices by revising textbooks frequently, publishing custom textbooks, issuing books in loose-leaf form, and making material available online through the use of a temporary password. *Id.* at 18-21. Publishers maintain these high prices, in part, by taking steps to isolate the United States market, where market conditions allow them to extract higher prices from students, while selling textbooks just above cost to students in other countries. *Id.* at 21-22. If the

Second Circuit's decision is reversed, publishers will still be free to engage in the same marketing practices they currently use, but may also face legitimate competition from the books they have sold at lower prices in other parts of the world.

To be clear, however, the potential impact of the decision reaches well beyond the redistribution of textbooks, or even classic copyright-protected works like sound recordings, audiovisual works, compositions, paintings, drawings, and sculptures. Today, a wide range of other commercial products also contain copyright-protected computer programs, such as automobiles, microwaves, calculators, mobile phones, tablets, and personal computers. Moreover, the packaging for a product often contains copies of copyright-protected visual art. *See, e.g.*, *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1145 (9th Cir. 1996) (plaintiff's lawsuit based in part on copyright infringement of the packaging for its non-copyrighted product).

Further, since the Second Circuit's interpretation hinges upon the place of manufacture and not upon the occurrence of a first sale completed with the permission of the copyright owner, individuals or entities may be liable for infringement even if they purchased the product in the United States, and even if the product has already been sold and re-sold several times. Service providers that provide online platforms for resale marketplaces, such as eBay or Amazon.com, could be threatened with secondary liability for hosting offers for infringing sales on their

websites. Such websites would have a strong incentive to stop hosting the sale of many used books and other products entirely. Similarly, physical second-hand shops, like the Salvation Army, would be effectively prohibited from selling used goods that contain copies of copyright-protected works.

Notably, given that the distribution right of section 106(3) covers far more than sales, the ramifications of the decision below are not limited to commercial transactions. Thus, an interpretation of section 109(a) that allows the distribution right to be resurrected at any point in the chain of ownership would also inhibit actors from lending or giving away copies of copyright-protected works that were manufactured abroad. Libraries, which rely heavily upon the first sale doctrine to lend copies of books to the public, are especially vulnerable. Without the protection of section 109(a) for foreign-printed books, libraries could be forced to affirmatively research the place of manufacture for every book they acquire, even if that acquisition is completed within the United States, and either refuse to stock foreign manufactured copies of books or seek countless licenses from copyright owners to offer those books to the public. Similarly, individuals would be unable to loan a book, magazine, or newspaper to a friend if the copy was created abroad. This would have a particularly harsh effect on individuals who speak and read foreign languages, because foreign-language products are more likely to come from foreign publishers.

By inhibiting the public's ability to transfer ownership, even gratuitously, of foreign-manufactured copies, the Second Circuit's interpretation could even impair charitable giving. For example, the very popular and successful Marine Toys for Tots Foundation collects presents for economically disadvantaged children in the weeks surrounding Christmas. For sixty-three years, Toys for Tots has collected donated toys from the public and distributed more than 400 million toys to more than 188 million children. *Origin and Evolution of Toys for Tots*, MARINE TOYS FOR TOTS FOUNDATION (last visited July 4, 2012), http://www.toysfortots.org/about_toys_for_tots/toys_for_tots_program/origin_and_evolution.asp. Under the Second Circuit's interpretation of section 109(a), both Toys for Tots and the individuals donating toys to Toys for Tots are liable for copyright infringement for all copyrightable toys or toy packages that were manufactured outside of the United States.[2]

The Second Circuit's decision has enormous impact upon a wide variety of product industries, and imposes tangible harms on consumers who would

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[2] Toys may be subject to copyright protection in a number of ways, so long as they are not uncopyrightable as useful articles. *See, e.g.*, *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (holding that transforming robotic action figure qualifies for copyright protection). An action figure may receive copyright protection as a sculptural work, a coloring book may contain copyright-protected graphic or pictorial works, or a doll may sing a copyright-protected song via a copyright-protected sound recording.

otherwise participate in the resale market for lawfully purchased goods.

2. Copyright owners may attempt to seize indefinite control over distribution by moving their manufacturing activities abroad.

The decision below could also encourage copyright owners to deliberately foreclose secondary markets by moving their manufacturing operations abroad. As discussed above, copyright owners would gain substantial new control over the distribution of copies of their works if they could exercise exclusive authority over a copy every time it changes hands. This power is potentially very lucrative for manufacturers that wish to prevent consumers from buying used copies or borrowing copies from friends. If a consumer has no access to a used or borrowed copy of a work, she must purchase a new copy at a substantially higher cost than she would have otherwise faced, or go without the good. This liability attaches regardless of how many times that particular copy has been sold, re-sold, and given away before it reached the consumer. The Second Circuit's decision thus gives copyright owners a perverse incentive to move manufacturing or other production activities out of the United States to retain indefinite control over copies of their works.

Put another way, the decision below encourages at least two perverse outcomes: American consumers

lose access to affordable used copies of products, and companies move American manufacturing and related jobs overseas. It is difficult to imagine that Congress intended these results.

3. The lower court's interpretation of "lawfully made under this title" could preclude consumers from displaying their lawfully acquired copies.

The Second Circuit's interpretation of the phrase "lawfully made under this title" for the purposes of section 109(a) could also have far-reaching consequences for other provisions of the Copyright Act that use the same phrase. If future court decisions follow the Second Circuit's interpretation of this phrase, the application of all of these provisions could be limited to copies manufactured in the United States.

For example, section 109(c) of the Copyright Act also uses the phrase "lawfully made under this title" to grant the owner of a copy the right to publicly display that copy. 17 U.S.C. § 109(c). Courts have repeatedly interpreted this phrase to preclude applying section 109(c) to copies "created in violation of the artist's rights," not merely copies made outside of the United States. *See Mass. Museum of Contemporary Art Found., Inc. v. Buchel*, 593 F.3d 38, 63-64 (1st Cir. 2010); *Cariou v. Prince*, 784 F. Supp. 2d 337, 356 (S.D.N.Y. 2011) (paintings may not be publicly displayed under section 109(c) because the paintings infringed plaintiff's copyrights); *Hoepker v. Kruger*,

200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (defendant may publicly display a lawfully owned copy of a photograph under section 109(c) despite the fact that the photograph was made in Germany). If "lawfully made under this title" in section 109(c) is interpreted identically to the Second Circuit's reading of "lawfully made under this title" in section 109(a), every owner of a copy of a copyright-protected work, particularly visual artworks, would need to obtain a license to display that copy if the work was created outside of the United States. Museums, particularly those with substantial collections of foreign paintings, photographs, drawings, and sculptures, would need to obtain a new license for every piece of foreign-made art in their collections, or hide those collections from the public indefinitely. Businesses, libraries, and any other entity with a physical space open to the public would need to remove all foreign artworks from their lobbies, hallways, and other public spaces. Again, Congress could not have intended a result that so manifestly contravenes sound public policy and common sense.

C. The decision below would authorize copyright owners to enjoin parallel imports, contrary to Congress's intent and consumers' interest.

Parallel imports benefit both consumers who rely upon affordable access to goods and businesses that routinely bring lawfully purchased goods into the United States for resale. Contrary to Congress's

broader intent, the decision below could allow copyright owners to unilaterally block *nearly all* parallel imports for goods they had already sold and parted with.

The increase in parallel importation in recent years is a result of cost reductions from new and improved technologies. This means that, when importers market their products at inflated prices in some geographical markets but not others, they face competition from their own products sold at lower prices elsewhere. This is not a new phenomenon: historically, new technology has consistently broken down barriers to market entry and encouraged healthy competition between providers. In 2000, "the U.S. market for gray goods [was] somewhere between $10 and $20 billion a year." Olga Kharif, *The Global Economy's Gray-Market Boom*, BUSINESSWEEK ONLINE (Nov. 30, 2000), *available at* http://www.businessweek.com/bwdaily/dnflash/nov2000/nf20001130_555.htm. The parallel market in information technology alone was estimated to have grown to more than $40 billion per year by 2009. Romana Autrey & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Working Paper No. 09-098, at 1 (Feb. 25, 2009), *available at* http://www.hbs.edu/research/pdf/09-098.pdf.

Restrictions on parallel importation of legally purchased products impose serious economic consequences. Such restrictions create an "export subsidy" that United States consumers must pay, encourage

rent-seeking behavior by producers, and use government resources to protect producers against arbitrage. *See* Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 CARDOZO L. REV. 55, 143-44 (2001). Restricting parallel importation encourages copyright owners to make socially wasteful investments to maintain extra profits they receive from price discrimination. *Id.* at 101 (specifying lobbying, litigation, entry deterring practices, measuring different markets' valuations, enforcing contracts to prevent arbitrage, and designing special distribution systems as examples of the costs of rent-seeking). The Second Circuit's decision here creates an explicit and extensive parallel importation restriction, but these serious consequences were not intended or even contemplated by Congress, either in enacting federal copyright law generally or in creating section 602 of the Copyright Act.

Federal copyright law was created with the purpose of "stimulat[ing] artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability to literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor."). *See also Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) ("The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the

public from the labors of authors."). Copyright law was not created for the purpose of restricting parallel imports or making United States consumers subsidize price discrimination in foreign markets. Copyright owners cannot look to copyright law to insulate their business models from international trade or allow them to implement discriminatory pricing on a global scale.

Moreover, subsequently enacted federal statutes demonstrate a continued understanding and intent that parallel imports remain legal and continue to benefit consumers. *See, e.g.*, Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, § (b)(3)(B), 120 Stat. 285, 287 (codified as amended at 18 U.S.C. § 2320(e)(b) (2006)) (explicitly exempting authorized uses of marks from the act's prohibitions on the import of "counterfeit marks"); 151 Cong. Rec. S12714-01 (2005) (statement of Rep. Lofgren) ("Parallel markets are those in which third parties lawfully obtain goods and make them available in discount stores. Not only has this practice been upheld by the Supreme Court, but it also saves consumers billions of dollars each year. . . . We now have a bill that protects manufacturers, targets illegitimate actors, protects consumers, and leaves the legitimate parallel market unscathed.").

II. The Ninth Circuit's interpretation of section 109(a) does not mitigate the ill effects of interpreting section 602 to trump section 109.

In *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010) the Ninth Circuit held "that § 109(a) refers 'only to copies legally made . . . in the United States,'" but carved out an exception for copies sold in the United States with the copyright owner's authorization. 541 F.3d 982, 985-86, 990 (9th Cir. 2008). This carve-out, unfortunately, provides little comfort for consumers, between its uncertain provenance and the potential harms resulting from a geographic interpretation of "under this title."

A. The Ninth Circuit's "authorized sale" exception is not firmly rooted in the text or legislative history of the Copyright Act.

Section 109(a) provides that "the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled . . . to sell or otherwise dispose of that copy or phonorecord." The statute only requires that the copy be "lawfully made." Nowhere in section 109(a) is the location of a copy's initial sale ever specified as a prerequisite to the application of the first sale doctrine.

Accordingly, in *Quality King Distributors Inc. v. L'anza Research International Inc.*, this Court held that the place of first sale is irrelevant to whether or

not section 109(a) applies. 523 U.S. 135. Even if, *arguendo*, geographic location is relevant in a section 109 determination, only the location of manufacture, not the location of any sale, should be relevant. A copy is "lawfully made" when and where it is manufactured, not whenever or wherever it might first be sold, leased, rented, or borrowed. Selling or otherwise distributing a copy does not "make" that copy, nor does an authorization for a copy's sale in a location mean it was "lawfully made" there.

The Ninth Circuit's exemption is equally difficult to square with the legislative history of the Copyright Act. The Historical and Revision Notes of the House Report states that section 109(a) only "restates and confirms" the first sale doctrine that was codified in the section 41 of the 1909 Copyright Act, which stated that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." H.R. REP. NO. 94-1476, at 79 (1976); S. REP. NO. 94-473, at 71 (1975); Copyright Act of 1909, Pub. L. No. 60-349, § 41, 35 Stat. 1075 (1909). Section 41 did not refer to the location of the copy's first sale; rather, it only requires that possession of the copy be "lawfully obtained."

Indeed, it does not appear that the first sale doctrine was intended to require *any* geographic distinction. When the language of section 109(a) was first introduced in 1964, Barbara Ringer, member of the Copyright Office's General Revision Steering

Committee, explained that the purpose of including the words "lawfully made" was to apply the doctrine not only to copies that were "made under the authority of the copyright owner," but also to those "lawfully made by virtue of a compulsory license." Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments 66-67. In other words, the phrase "lawfully made" was intended to explain that copies both authorized and unauthorized were subject to the doctrine so long as they were not infringing, not to draw a legal distinction between copies based upon their point of origin.

The House Report affirms that the addition of the phrase "lawfully made under this title" had nothing to do with where the copy was first sold. In defining the scope of the phrase, the Report repeats Ringer's earlier explanation that the phrase ensures that section 109(a) can apply to certain copies made without the copyright owner's authorization. For example, copies "legally made under the compulsory licensing provisions of section 115" are also subject to the section 109(a) limitation. H.R. REP. NO. 94-1476, at 79 (1976). Therefore, the "lawfully made under this title" language does nothing to indicate a geographic restriction either for the general application of section 109(a), nor for the application of any exception to section 109(a).

B. The Ninth Circuit recognized that its own reading of section 602 could produce an "untenable" policy result.

In *BMG Music v. Perez*, the Ninth Circuit required that a copy be both made and sold within the United States for section 109(a) to apply. 952 F.2d 318 (9th Cir. 1991). This interpretation was highly criticized because, like the Second Circuit's current reasoning, it would prevent all foreign-made copies of copyrighted works from being distributed or even publicly displayed without the copyright holder's permission, not only in its initial domestic distribution, but in every transaction after that until the end of the work's copyright term. *See, e.g.*, 2-8 NIMMER ON COPYRIGHT § 8-12[B][6] ("Scorpio's logic is subject to the defect that, even in a case involving authorized importation (unlike Scorpio, which implicated unauthorized importation), the copies still have not been 'lawfully made under this title,' and hence fall outside the first-sale defense. That conclusion, which would deny subsequent transfer of copies that had deliberately been imported by the copyright owner, contravenes the plain intent of the Copyright Act. In this respect, the logic of Scorpio would seem plainly deficient."); 1 Goldstein on Copyright § 5.6.1.2.a, at 604 (1989); Stephen W. Feingold, *Parallel Importing Under the Copyright Act of 1976*, 17 N.Y.U. J. INT'L L. & POL. 113, 130 (1984) ("In promulgating section 109(a), Congress did not intend to change the first sale doctrine as codified in section 27 and interpreted in the case law. Thus, any claim based on this statutory

language of section 109, must also be supportable under section 27. Section 27 stated that 'nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.' There is no phrase in section 27 that supports CBS's claim that 'under this title' means 'in the United States.'").

In light of this criticism, the Ninth Circuit later limited its holding in *BMG Music* to the facts of that case. In *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, the court, noting that its previous interpretation of "lawfully made under this title" would render countless legitimate transactions illegal, distanced itself from the broad rule it articulated in *BMG Music*:

> In *BMG Music*, we stated: "The words 'lawfully made under this title' in Sec. 109(a) grant first sale protection only to copies legally made and sold in the United States. Amici and some courts have pointed out that this broad language, if taken literally, would render the first sale doctrine wholly inapplicable to foreign manufactured goods, even after the goods have been lawfully imported into the United States with the authorization of the U.S. copyright holder. This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States.

> We agree that such a result would be untenable, and that nothing in the legislative history or text of Sec. 602 supports such an interpretation.
>
> Our reliance on *BMG Music* today should not be read as an endorsement of any such broad extension of that case beyond its facts. Those facts did not include any attempt to preclude the sale of copies of foreign manufactured goods that had been lawfully obtained in the U.S. from the U.S. copyright holder.

Drug Emporium, 38 F.3d at 482 n.8 (internal citations omitted). Thus, unable to overturn *BMG Music*'s interpretation of section 109(a) without an *en banc* hearing, the Ninth Circuit instead attempted to restrict the scope of its application.

The Ninth Circuit continued to distance itself from *BMG Music* in *Denbicare U.S.A. Inc. v. Toys "R" Us Inc.* There, the Ninth Circuit fully embraced the exception first discussed in *Drug Emporium*'s dicta, holding that section 109(a) would apply to sales of foreign manufactured copies if there had been an authorized sale within the United States.

> [*Drug Emporium*] acknowledged widespread criticism of this language. . . . Agreeing that such a result would be untenable, and that nothing in the legislative history or text of the 1976 Copyright Act supports such an interpretation, we held that the language in *BMG* Music was limited to the facts of that case and that sales abroad of foreign manufactured United States copyrighted materials

> do not terminate the United States copyright holder's exclusive distribution rights in the United States under §§ 106 and 602(a). Thus, under the law of the circuit, § 109 applies to copies made abroad only if the copies have been sold in the United States by the copyright owner or with its authority.

Denbicare, 84 F.3d at 1149-50 (internal citations and quotations omitted).

The above quotation, however, represents the entirety of the Ninth Circuit's rationale for giving force to its "authorized sale" exception. That opinion provides no other authority for this exception's existence, other than the problem created by its interpretation of section 109(a).

In *Costco*, the Ninth Circuit affirmed its conclusion that an exception exists that allows the first sale doctrine to be applied to copies made abroad. Relying on the exception created solely by its own opinions, the Ninth Circuit held that:

> *Drug Emporium* and *Denbicare*, however, resolved this problem by clarifying that parties can raise § 109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred. (citations omitted). Insofar as *Costco* contends that § 109(a) should apply to foreign-made copies even in the absence of a lawful domestic sale, the surviving rule from *BMG Music* requires otherwise.

541 F.3d at 989-90.

The Ninth Circuit's desire to mitigate the untenable results of its holding is understandable. However, as explained below, the Court has a better alternative.

III. The Second Circuit's untenable results and the Ninth Circuit's need for a novel exception can both be avoided through proper interpretation of section 109.

The Second Circuit proposes a regime that would place severe restrictions on lawfully owned copies of copyrighted works, undermining the foundational rights of persons over their personal property. The Ninth Circuit has crafted a somewhat more palatable approach (at least from a policy perspective) but one that appears not to be well grounded in the Copyright Act.

However, there are options for the interpretation of the statute that are both textually sound and non-absurd. By interpreting "under this title" as a comment on the lawfulness of a copy's creation, and not on the location of its manufacture, the Court can both adhere to the text of the Copyright Act and allow consumers to freely dispose of their personal property, regardless of where it was assembled.

A. Neither section 602 nor presumptions against extraterritoriality require "under this title" to be read as a geographic restriction.

The Second and Ninth Circuits felt the need to interpret "lawfully made under this title" to mean "made within the United States" largely because of two separate considerations. First, as noted briefly in *Costco*, the Ninth Circuit hesitates to apply the Copyright Act "extraterritorially." *Costco*, 541 F.3d at 987-88 (dismissing this Court's rejection of a geographic test for point of sale). Second, the courts have been reluctant to fully subject section 602(a) to the limitations of section 109, lest they frustrate Congress's apparent intent to prevent parallel imports of copies of copyrighted works. However, accepting an alternate interpretation of this language neither renders section 602(a) useless nor requires extraterritorial application of the Copyright Act. Persisting in reading "lawfully made under this title" as a geographic restriction, however, will necessarily produce completely untenable results, unless courts are prepared to create new doctrines absent from the text of the statute, or new interpretations of terms in section 109 that are so far undisputed.[3]

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[3] It could be argued, for instance, that "made" refers not to a copy's manufacture, but to its coming into being as a legally significant object. *Amici* do not hazard an opinion on such a theory here.

As the Second Circuit notes, acknowledging facts that took place outside of the United States does not in itself constitute extraterritorial application of United States law. In fact, by virtue of section 104(b)(2), United States courts are *required* to acknowledge the copyright status of works that have been published in foreign countries that have signed the Berne Convention. 17 U.S.C. § 104(b)(2). This Court's precedents in *Quality King* further support the uncontroversial idea that the location of any sale is irrelevant to the application of section 109. *Quality King*, 523 U.S. at 145 n.14

The assertion that "lawfully made under this title" will render section 602(a) superfluous also is overstated. Section 602-based justifications for interpreting "under this title" as a geographic restriction tend to take one of three forms: First, that section 602's importation prohibitions would be rendered useless by the application of section 109; second, that section 602(a) would be redundant with 602(b) (or, more recently, that section 602(a)(1) would be redundant with 602(a)(2));[4] and third, that had Congress

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[4] With the passage of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 ("PRO-IP Act"), section 602(a) was altered to create two separate types of prohibition. The newly-created section 602(a)(1) one used the language of the original section 602(a), while the new section 602(a)(2) prohibited imports and exports of copies, "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable." This new language came into

(Continued on following page)

intended for "lawfully under this title" to mean "lawfully, had this title been applicable," it could have said so. None of these arguments carries sufficient weight to force the more absurd interpretation of section 109.

As this Court held in *Quality King*, even if many non-piratical copies produced in other countries could be lawfully imported into the United States, section 602(a) would still prevent a number of different parallel importations. *Quality King*, 523 U.S. at 146-47 ("[B]ecause the protection afforded by § 109(a) is available only to the "owner" of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a consignee, or one whose possession of the copy was unlawful."). Section 602(a) therefore continues to prohibit classes of non-piratical importations.

Nor must section 602(a) be read as being redundant with section 602(b), under this interpretation of section 109. The set of prohibited copies covered by section 602(b) can be read not as covering an entirely separate class of copies, but as a clarifying narrowing of those covered in section 602(a). In other words, section 602(a) could prohibit the importation of piratical copies and copies imported by non-owners. Section 602(b) would then create enhanced enforcement for

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force after the relevant distributions by Petitioner. PRO-IP Act, Pub. L. No. 110-403, § 105 (2008).

importation of piratical copies. The initial language of 602(b) supports such a reading; by beginning "In a case where," the subsection indicates that it is addressing a more specific instance of events generally covered by 602(a).[5]

It could be argued that, had Congress intended for "lawfully made under this title" to mean "not infringing copyright had title 17 been applicable," it could have said so. *Cf. John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 220 (2d Cir. 2011). However, Congress is equally capable of using the formulation "lawfully made within the United States." Indeed, this is a formulation so simple that it seems far less likely to have been overlooked in favor of language that is both less plain and less clear. By contrast, it seems more likely that Congress would have attempted in section 109 to find a more mellifluous way to express the concept expressed in section 602(b) as "the making of which would have constituted an infringement if this title had been applicable."

However, as shown below, the language of section 602(b) is not the only possible non-geographic interpretation of "lawfully made under this title" available. The Second Circuit provides at least one

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[5] The amendments made to section 602 by the PRO-IP Act are also consonant with the idea that the various subsections are not meant to delineate non-intersecting sets, but that subsequent subsections spell out specific situations that may arise under the general case of 602(a). Congress evidently intended to bolster remedies against piratical imports, supplementing customs enforcement with criminal penalties. PRO-IP Act § 105.

plausible alternative: "any work made that is subject to protection under this title." *Kirtsaeng*, 654 F.3d at 219-20. To this, we may add interpretations such as "made without infringing this title" and "lawfully, had this title been applicable."

B. Non-geographic interpretations of "under this title" prevent absurd results, while still giving force to section 602.

The plain language of section 109 does not immediately suggest a geographic restriction. Even to the extent that it is possible for a reasonable mind to read "under this title" as a geographic restriction, it is at least equally plausible to read the plain text as a legal restriction.

In other words, there are two categories of interpretation of section 109, geographic and non-geographic, that are textually sound. Each, however, raises certain questions. The Second Circuit's interpretation leads to results that not only are unsupported by Congressional intent, but that lead to manifestly absurd and unworkable results. A non-geographic interpretation results in a more limited – but still textually sound – reading of section 602 than that section's legislative history might suggest. However, that more limited reading does not render section 602 useless, totally frustrate Congress's intent in drafting it, or lead it into inevitable conflict with section 109.

The Second Circuit addresses and then bypasses non-geographic interpretations by drawing upon its understanding of the legislative intent of section 602. *Kirtsaeng*, 543 F.3d at 221. However, before seeking to interpret statutes through the lens of legislative history, courts must first begin with the statutory language. "[C]ourts must presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then this first canon is also the last: judicial inquiry is complete." *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). In this case, the Second Circuit cannot bypass a non-absurd interpretation of the law that is both consonant with the plain language of sections 106, 109, and 602 and also consistent among the three sections to reach an interpretation that only seems to achieve a Congressional objective *more fully*.

Amici suggest three potential non-geographic readings of "lawfully made under this title." The first, resembling the language of section 602(b), would be "lawfully made under this title had this title been applicable." While this language tracks that of section 602, as we have discussed, it does not render 602 useless, because copies would still be prohibited from importation by non-owners. Several different nuances in applying this interpretation can either allow or disallow copies that are imported in violation of geographically-limited licensing agreements. For example, if a copyright holder granted one printer an

exclusive license to print and sell books in England, but nowhere else, importations of that book by that printer could arguably be found to be outside the scope of section 109, since, by violating the conditions of its licensing agreement, the printer would have been in violation of title 17, had title 17 been applicable (since violating the conditions of a license that grants a party an exclusive right is an infringement of copyright under title 17). However, a third party who bought the books for later importation, such as the Petitioner in this case, would be arguably in a different situation, since his actions had no effect on the lawful printing of the book by the printer: the book had already been "lawfully made" according to the terms of title 17, had it been applicable.

Another interpretation would be "any work made that is subject to protection under this title." This would continue to prohibit non-owner importations of copies, in addition to ensuring that the narrower category of section 602(b) (and the newer section 602(a)(2)) remains distinct from the category to which section 602(a) initially applies. This interpretation would also create necessary distinctions between certain copies that may be protected under foreign law but not under title 17. For example, foreign-made, creative, original works fixed in a tangible medium are certainly subject to protection under title 17. However, many foreign jurisdictions include protections for uncopyrightable works, such as databases. *See, e.g.*, Council Directive 96/9 on the Legal Protection of Databases, 1996 O.J. (L77). Other protections

might also be available for unfixed works, which in certain instances are protected by United States law, but not under title 17. *See, e.g.*, 18 U.S.C. § 2319A (prohibiting unauthorized fixation of certain live performances, which may or may not themselves be protected by copyright). In other words, under this interpretation, the disputed phrase would be limiting the scope of section 109's exception to the bounds of copyright law, leaving for other doctrines of law to permit or prohibit importations of works not protected by title 17.

Yet another possible interpretation would be "made in a way that does not infringe copyright under this title." This formulation would indicate an affirmative intent not to suggest that United States law applies extraterritorially, while still including within the scope of section 109's limitation those copies (during or after importation) made outside the country. This interpretation would recognize that actions occurring outside of United States jurisdiction neither comply with nor violate United States law. Section 602(a) would thus prevent importations by non-owners, while section 602(b) would prohibit importations of copies that would have been infringing had title 17 applied, such as copies of works that were in the public domain in their country of origin, but still protected in the United States.

These non-geographic interpretations of "lawfully made under this title" do not exhaust the possibilities of either the initial interpretation nor of the ways in

which they can be applied to specific circumstances. However, all of them allow for the separate and meaningful operation of sections 106, 109, and 602(a) and (b), without requiring consequences that would expose nearly every American to potential infringement liability.

"Lawfully made under this title" therefore need not create the dilemmas imagined by the Second and Ninth Circuits, so long as it takes any of several non-geographic interpretations. Such interpretations may grant section 602(a) a smaller scope than its isolated text would initially indicate, but this is a minor consideration when weighed against the textual errors and enormous policy consequences of either of the interpretations advanced by the Second and Ninth Circuits.

CONCLUSION

The Second Circuit's decision below erroneously reads a geographic limitation into the language of section 109(a) and, if affirmed, would render illegal many legitimate, every-day distributions of goods that contain copyrighted works. The Court should now avoid this absurd result by interpreting section

109(a)'s applicability to be unrelated to a copy's place of manufacture or distribution.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 11-697

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF *AMICI CURIAE* OF RETAIL LITIGATION CENTER, INC., NATIONAL ASSOCIATION OF CHAIN DRUG STORES, AMERICAN FREE TRADE ASSOCIATION, INTERNATIONAL IMAGING TECHNOLOGY COUNCIL, AND QUALITY KING DISTRIBUTORS, INC., IN SUPPORT OF THE PETITIONER

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QUESTION PRESENTED

The first-sale doctrine embodied in § 109(a) of the Copyright Act, allows the owner of a copy "lawfully made under this title" to sell the copy without the copyright owner's permission. It is undisputed that this provision means that a copyright owner has no right to control downstream sales of a copy that was made in the United States. And this Court held in *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998), that the same rule applies to copies that are imported into the United States. The court of appeals limited *Quality King* to a situation where the imported goods were made in the U.S.

The question presented is whether the copyright owner is entitled to control downstream sales just because it opts to manufacture the copies abroad.

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STATEMENT OF INTEREST[1]

The Retail Litigation Center, Inc. ("RLC") is a public policy organization that identifies and engages in legal proceedings that affect the retail industry. The RLC, whose members include some of the country's largest retailers, was formed to provide courts with retail industry perspectives on significant legal issues, and to highlight the potential industry-wide consequences of legal principles that may be determined in pending cases.

The National Association of Chain Drug Stores ("NACDS") represents 125 traditional drug store chains, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate 44,200 pharmacies, and employ more than 3.5 million employees. The total economic impact of all retail stores with pharmacies transcends their $900 billion in annual sales. Every $1 spent in these stores creates a ripple effect of $1.81 in other industries, for a total economic impact of $1.76 trillion, equal to 12 percent of GDP.

The American Free Trade Association ("AFTA") is a not-for-profit trade association that, for nearly 30 years, has advocated on behalf of the discount marketplace and the thousands of U.S. citizens engaged and/or employed in the parallel market. With members and contributors

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1. The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, their respective members, or their counsel made a monetary contribution to its preparation or submission.

throughout the country, AFTA gives voice in legislative, regulatory, and judicial fora, to the needs and concerns of all participants in the global supply chain, from importers and distributors to retailers and consumers. AFTA advocates for strong anti-counterfeiting enforcement tools and continues working aggressively to ensure that U.S. laws protect consumers against injury from counterfeit and infringing goods—without sacrificing the substantive benefits of a competitive, global marketplace.

The International Imaging Technology Council ("Int'l ITC") is a nonprofit trade organization comprised of members of the imaging supplies industry, including office-machine retail, office-supply retail, computer retail, repair and networking companies, and all related industry suppliers. Int'l ITC's member companies share a common business interest in restoring and remanufacturing imaging supplies in a free and fair market. Printer cartridge remanufacturing constitutes a $4.5 billion industry. The United States cartridge remanufacturing industry includes approximately 1,800 companies, employing approximately 33,650 people. Cartridge remanufacturing, considered the highest form of recycling by the U.S. Environmental Protection Agency, keeps more than forty-two thousand tons of plastic, metal and toner out of the waste stream, and provides a low-cost alternative to consumers and businesses to original manufactured cartridges.

Quality King Distributors, Inc. ("QKD") is a family-owned wholesale distributor of health, beauty, and cosmetics products, located in Bellport, N.Y. Founded in 1961 in a storefront in Queens, New York, QKD has become one of the largest privately-held businesses in the

New York metropolitan area. QKD's national customer base includes most of the mass retail chains including drug store chains, mass discount chains, grocery chains and independent stores. QKD was the petitioner in *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) ("*Quality King*"), in which the Court last issued an opinion addressing the application of the first sale doctrine of the Copyright Act to imported goods incorporating ancillary copyrighted works.

These *amici* and their member companies include suppliers, importers, purchasers, and retailers with a vital interest, as to themselves and on behalf of their customers, in promoting robust commerce under the first sale doctrine of U.S. copyright law.[2] Members of the *amici* are among the largest sellers of books, DVDs, software, video games, and audio compact discs—the types of goods most obviously affected by the scope of the first sale doctrine and, hence, potentially restricted by the erroneous decision of the court of appeals here.

The *amici* also sell thousands of common household and personal products that also may be constrained by the Second Circuit's narrow reading of section 109(a). Many, if not the majority, of decided cases examining the intersection of the first sale doctrine and the importation

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2. RLC, NACDS, AFTA and QKD submitted amicus briefs to this Court in the 2009 term in *Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010). *Amicus* AFTA filed an amicus brief supporting the right of parallel importation under trademark law in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), and under copyright law in *Quality King*. Int'l ITC submitted an amicus brief addressing the patent first sale doctrine in *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008).

right under title 17 involve attempts to leverage copyright claims over ancillary and often insignificant aspects of utilitarian retail goods (*e.g.*, packaging, labels, and use instructions), solely to thwart competition and price arbitrage made possible by parallel importation.

As a consequence of the decline of domestic manufacturing, a majority of the products retailers offer for sale in the United States may be produced, procured, and imported from abroad. Retailers and suppliers need confidence that non-piratical goods purchased from manufacturers, importers, and distributors can be resold in U.S. commerce free from claims of copyright infringement. And consumers deserve full value from their purchases, without restraints on title or alienation.

Therefore, the *amici* submit this brief to inform the Court of the potentially destructive impact of the Second Circuit (and Ninth Circuit) decision upon modern commerce, and to urge the Court to clarify the proper interpretation of the first sale doctrine: That copies made by or with the authorization of the United States copyright owner, anywhere in the world are "lawfully made under this title."

SUMMARY OF ARGUMENT

The first sale doctrine touches virtually every aspect of the multi-trillion dollar U.S. retail sector. This provision of the copyright law permits retailers to resell books, CDs, and DVDs; libraries to lend books; museums to display works of art; video stores to rent DVDs or video games; and consumers to give away, lend, or resell all of these copies of copyrighted works—all without the need

to obtain permission from copyright owners or to make additional royalty payments.

Beyond the books at issue here, or recorded music, motion pictures, video games, and other goods ordinarily envisioned as "copyrighted" goods, copyright can impinge upon sales of virtually any household product. The shape of a box, a tiny logo, pictures on a label, and the text of product inserts and instructions all can be covered by a registered copyright. As all of these products increasingly are manufactured overseas and imported into the United States, the question presented to this Court—the correct interpretation of the first sale statute as applied to foreign-made products—assumes concomitantly greater importance to the retail sector and their consumers' rights.

The Court's decision in *Quality King Distribs., Inc. v. L'anza Research Int'l Inc.*, 523 U.S. 135 (1998) ("*Quality King*"), provided importers, distributors, and retailers welcome certainty that lawfully produced non-piratical goods could be imported and resold in the United States free from copyright infringement claims. And it benefited U.S. consumers through greater competition and lower prices from lawfully-made imported goods and, with the rise of the Internet, through opportunities to resell and buy previously-owned goods on sites such as eBay.com and craigslist.org.

Recent decisions from the Second and Ninth Circuits make a shambles of the first sale doctrine.[3] Both the

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3. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011) ("*Kirtsaeng*"); *Omega S.A. v. Costco Wholesale Corp.*,

Second Circuit in *Kirtsaeng* and the Ninth Circuit in *Costco* ignore the plain language of section 109, and inject into that section a precondition that the first sale exception pertains only to copies made "in the United States." Although each court cites *Quality King* for its erroneous interpretation, *Quality King* nowhere compels that conclusion.

Each court admits that its interpretation of section 109 harms the interests of American businesses and consumers, and contravenes historical policies underlying the first sale doctrine. Yet each addresses these anomalous consequences in markedly different ways. The Ninth Circuit invents an extra-textual "escape hatch," permitting the first sale doctrine to apply if the imported goods are sold in the United States with the copyright owner's permission. The Second Circuit majority rejects that legal fiction, and holds that foreign-produced copies of copyrighted works *never* can benefit from the first sale doctrine. Although the majority acknowledges forceful policy concerns militate against its holding, they suggest Congress can cure any "undesirable" or "unpalatable" consequences of its draconian view. *Kirtsaeng*, 654 F.3d at 222 & n.44.

The *Kirtsaeng* dissent correctly interprets section 109. Judge Murtha's dissent gives "lawfully made under this title" its natural reading: "regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law." 654 F.3d at 226.

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541 F.3d 982 (9th Cir. 2008), *aff'd by an evenly divided Court, Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010) ("*Costco*").

Thus, the dissent's interpretation of section 109 adheres most closely to the statutory language. That reading moreover avoids the policy pitfalls of the *Kirtsaeng* majority and *Costco*. By applying the first sale doctrine equivalently to domestic and foreign produced goods, this Court will assure that distributors and retailers will not face potentially crippling copyright liability for selling authentic goods.

For these reasons, as set forth below, the decision should be reversed.

ARGUMENT

I. This Court Should Safeguard the First Sale Doctrine and Preserve Lawful Commerce in Genuine Parallel Imported Goods.

To retailers, wholesalers, and consumers of copyrighted works, the first sale doctrine is the Magna Carta of commerce.[4] Businesses need confidence that they can purchase and resell genuine goods in U.S. commerce free from claims of copyright infringement, whether the goods are of domestic or foreign provenance. Properly

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4. Section 109, entitled "Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord," provides in pertinent part:

> (a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

interpreted, the first sale doctrine secures to businesses and individuals the right to acquire and resell goods produced by or under the authority of the holder of the U.S. copyright, regardless of whether the goods were made in the United States or abroad.

Because the first sale doctrine potentially touches all goods sold at retail, the size of the retail sector measures the impact of the first sale doctrine on the U.S. economy as a whole. In 2009, retail trade sales in the United States exceeded $3.6 trillion.[5] In 2011, the value of goods imported into the United States was $2.314 trillion.[6] Thus, if this Court interprets the first sale doctrine to exclude foreign-produced goods, more than half of the goods sold at retail by value potentially would remain under the control of the copyright owner. This contravenes historical prohibitions against restraints on title and this Court's holding under the first sale doctrine, more than a century ago, that "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of

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5. U.S. Census Bureau, U.S. Dep't of Commerce, U.S. Census Bureau, Statistical Abstract of the United States: 2012, Table 1055, Retail Trade Sales -- Total and E-Commerce by Kind of Business 2009, http://www.census.gov/compendia/statab/2012/tables/12s1055.pdf (last visited June 22, 2012). Online retail sales in 2009 totaled more than $145 billion, approximately 4.0% of all retail sales in the United States.

6. Central Intelligence Agency, The World Factbook, https://www.cia.gov/library/publications/the-world-factbook/fields/2061.html#97 (last visited, June 22, 2012).

the owner of the copyright, may sell it again... ." *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).[7]

1. The first sale doctrine applies to goods readily identifiable as copyright-protected, such as copies of the books involved in this case, Blu-Ray and DVD movie discs, and video games, and phonorecords of copyrighted sound recordings such as compact discs. According to government and industry estimates, in 2011:

- Retail commerce in copyrighted works sold in the United States (such as books, recorded music, motion pictures, and magazines) reached $221 billion[8]

- Consumers spent $14.6 billion to purchase and rent physical discs of movies[9]

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7. "The first sale doctrine was originally adopted by the courts to give effect to the early common law rule against restraints on the alienation of tangible property." S. Rep. No. 162, at 4 (1983).

8. U.S. Bureau of Economic Analysis, U.S. Dep't of Commerce, National Economic Accounts, Table 2.4.5U. Personal Consumption Expenditures by Type of Product, http://www.bea.gov/iTable/iTable.cfm?ReqID=12&step=1 (last visited June 22, 2012).

9. Digital Entertainment Group, "DEG Report: U.S. Home Entertainment Consumer Spending," http://www.degonline.org/pressreleases/2012/DEG_2011_US_CONSUMER_SPENDING_CHART.pdf (last visited June 22, 2012).

- Sales of recorded music in physical format exceeded $3.38 billion[10]

- Physical book sales reached $15.28 billion[11]

- The electronic game industry was estimated to constitute a more than $16 billion market segment in the United States.[12]

Amici and their members collectively sell annually hundreds of millions of copyrighted books, compact discs, DVDs, and video games, and are among the nation's largest retailers of these goods.

2. The first sale doctrine also affects commerce beyond goods whose value derives from the copyrighted works they embody. Under the low threshold for originality,[13] copyright can protect packaging, logos, labels, and product

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10. Recording Industry Association of America, "2011 Year-End Shipment Statistics," http://76.74.24.142/FA8A2072-6BF8-D44D-B9C8-CE5F55BBC050.pdf (last visited June 20, 2012). That figure does not include more than $2.6 billion in sales of recorded music in digital formats.

11. U.S. Census Bureau, U.S. Dep't of Commerce, Estimates of Monthly Retail and Food Services Sales by Kind of Business: 2011, at tab 2011, http://www.census.gov/retail/mrts/www/data/excel/mrtssales92-present.xls (last visited June 22, 2012).

12. Press Release, NPD Group, Inc., 2011 Total Consumer Spend on All Games Content in the U.S. Estimated Between $16.3 to $16.6 Billion (Jan. 12, 2012), https://www.npd.com/wps/portal/npd/us/news/pressreleases/pr_120116 (last visited June 22, 2012).

13. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345-346 (1991).

inserts and instructions for everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals. Any of the products sold by the *amici* members could include ancillary materials, protected by copyright, whose value is immaterial to consumers' desire to purchase those products or to the price of the products themselves. And undoubtedly thousands of copyright registrations have issued as a means to protect these products.

Thus, the first sale issue now before this Court also implicates circumstances where such ancillary copyrights are leveraged under section 602 solely to protect functional items with no intrinsic expressive value—and thereby stifle price competition from sales of authentic parallel-imported goods. Indeed, this factual context has provided the backdrop for numerous court opinions involving the interaction of sections 109 and 602,[14] including the last two copyright first sale cases before this Court. In *Quality King*, the plaintiff attempted to use a copyright on a label of hair care products to prevent discount-priced competition from lawfully-made re-imported products. And in *Costco*, the copyright owner engraved a minuscule copyrighted image on the back of the watch solely to prevent parallel importation of authentic watches (which

14. *See e.g. Denbicare U.S.A. Inc. v. Toys "R" Us*, 84 F.3d 1143 (9th Cir. 1996) (packaging for reusable diapers); *Parfums Givenchy v. Drug Emporium, Inc.*, 38 F.3d 477 (9th Cir. 1994) (box for perfume); *Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988) (labels for beauty supplies); *Cosmair v. Dynamite Enters., Inc.*, 226 U.S.P.Q. 344, 1985 WL 2209 (S.D. Fla. 1988) (package label for cosmetics and fragrances); *Neutrogena Corp. v. Sec. of Treasury*, 7 U.S.P.Q. 2d 1900, 1988 WL 166236 (D.S.C. 1988) (packaging for cosmetics products).

Costco sold at $700 below the manufacturer's suggested retail price).

While defenses other than the first sale doctrine potentially can protect retailers against such abusive practices,[15] the primary and best affirmative defense for distributors and retailers remains the first sale doctrine. In today's global and online economy, it is impossible to overstate the potential disruptive impact on commerce if, under the threat of such "thin" copyrights, companies cannot import and sell goods lawfully made abroad consistent with U.S. copyright law, and consumers cannot transfer ownership of their property.

3. It is generally feasible for retailers to ensure that the goods they offer for sale are authentic, but far more difficult to ascertain where the goods were manufactured or how they were first acquired.

Retailers commonly acquire products through exporters, importers, and trading companies, not directly from the manufacturers. Goods bought from the manufacturer may be resold several times before reaching domestic retail shelves. Such intermediary sources help to promote effective competition in the global economy. They enable foreign manufacturers that lack their own distribution networks to reach customers worldwide, and allow retailers to procure name brand goods in smaller quantities than might be possible from manufacturers that allocate goods to the largest customers.

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15. On remand, the district court adjudged Omega's actions to be copyright misuse and granted summary judgment to Costco. *Omega, S.A. v. Costco Wholesale Corp.*, CV 04-05443 TJH (E.D. Cal. Nov. 9, 2011) (Order and J.).

Many retailers purchase authentic "gray market" goods for resale from wholesale importers and distributors at arbitrage, to take advantage of lower foreign pricing. As a result, consumers buy the same high quality goods at competitive prices.[16] The value of such parallel imported goods sold annually in the United States represents a multibillion-dollar benefit to American consumers.[17]

4. The first sale doctrine also creates aftermarkets for sale and rental of "used" copies of copyrighted works. These aftermarkets facilitated by the first sale promote the public interest by enabling more consumers to acquire and enjoy a greater number of copyrighted works. Video rental – a paradigm industry made possible by the first

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16. For example, *amicus* QKD purchases name-brand products at lower prices in foreign markets, and resells these imported goods to U.S. wholesalers and retailers. QKD often sells these discount-priced goods in competition with the same, higher-priced goods from manufacturers or "authorized" distributors. Those were the facts of *Quality King*.

17. A 2008 white paper prepared by KPMG for an organization opposed to parallel importation estimated $58 billion annually in parallel importation activity. KPMG LLP, KPMG Gray Market Study Update, "Effective Channel Management is Critical in Combating the Gray Market and Increasing Technology Companies' Bottom Line," http://www.agmaglobal.org/press_events/press_docs/KPMG%20AGMAGrayMarketStudyWebFinal071008.pdf (last visited June 29, 2012). *See also*, Alvin Galstian, *Protecting Against the Gray Market in the New Economy*, 22 Loyola L.A. Int'l & Comp. L. Rev. 507, 509 (2000) ("The annual U.S. and U.K. gray market economies exceed $10 billion and £ >1.62 billion, respectively, and are driven by the countries' relatively open economic markets and their peoples' insatiable appetites for consumer products.").

sale doctrine[18]—achieved $6.579 billion in revenues in 2010.[19] According to the Book Industry Study Group, the used book market segment in 2004 constituted $2.2 billion in overall sales, with some $1.6 billion in sales of used textbooks.[20]

5. The Second Circuit opinion in *Kirtsaeng* denies first sale protections to *any* foreign-produced goods. The Ninth Circuit decision in *Costco* conditions application of the first sale doctrine to foreign-made goods on an authorized distribution in the United States. Given the

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18. Film producers in fact sought unsuccessfully to stifle the then-incipient independent video rental business by amending section 109 to prevent commercial rental of videotapes. H.R. 5707, 97th Cong. (1982). *See* Peter S. Menell, *The Property Rights Movement's Embrace of Intellectual Property: True Love or Doomed Relationship?*, Paper 36 (2007), eScholarship Repository, Berkeley Center for Law and Technology, http://repositories.cdlib.org/bclt/lts/36. Because the motion picture industry failed to narrow the first sale doctrine, entrepreneurs created a new multi-billion dollar industry segment for video rental that enabled millions of consumers to rent movies they could not have afforded to purchase.

19. U.S. Census Bureau, U.S. Dep't of Commerce, Annual Services Report, Table 5.1. Rental and Leasing Services (NAICS 532) – Estimated Revenue for Employer Firms: 2001 Through 2010, http://www2.census.gov/services/sas/data/53/2010_NAICS53.xls (last visited June 22, 2012).

20. Edward Wyatt, *Internet Grows as Factor in Used Book Business*, N.Y Times, Sept. 29, 2005, http://query.nytimes.com/gst/fullpage.html?res=9D05E2DA1230F93AA1575AC0A9639C8B63 (citing Book Industry Study Group, Inc., *Used-Book Sales: A Study of the Behavior, Structure, Size and Growth of the U.S. Used-Book Market* (Sept. 2005)).

realities of international commerce, the interpretations of section 109 both by the majority in *Kirtsaeng* and the Ninth Circuit panel in *Costco* impose impossible burdens and transaction costs on suppliers and retailers.

The absurdity of denying first sale rights to imported goods becomes apparent when considering the consequences to commerce and society from such a rule:

- Imported copies of foreign-made copyrighted works—whether a British version of a P.D. James book imported by an individual under the §602(a)(2) "suitcase exemption,"[21] a Joan Miro fine art print purchased from a foreign art dealer, or a foreign-made classical compact disc bought in a foreign department store—could not lawfully be resold, loaned, or given away without committing copyright infringement.

- Libraries could not lend foreign language texts produced abroad.

- Museums could not display works by foreign artists,[22] and galleries and auction houses could not sell or resell foreign-made art works.

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21. Congress exempted from infringement under 17 U.S.C. §602(a)(2) the "importation . . . for the private use of the importer . . . and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage."

22. Section 109(c) provides a right of public display to the owner of a copy that is "lawfully made under this title."

- Imported cars could not be resold because their engines are controlled by copyrighted software;[23] and if they bore a copyrighted design they could not be leased or rented either.

- Movie disc rental businesses such as Netflix and Redbox, and shops that resell used DVDs, CDs, and video games, all of which owe their existence to the first sale doctrine, could be shut down merely by shifting disc duplication to Mexico or Canada.

These are the precise kinds of noxious restraints on disposition of personal property that the first sale doctrine was intended to prohibit: "To add to the right of exclusive sale the authority to control all future retail sales ... would give a right not included in the terms of the statute and, in our view, extend its operation, by construction, beyond its meaning... ." *Bobbs-Merrill Co. v. Straus*, 210 U.S. at 351. Yet, that is the precise result under the first sale doctrine as misinterpreted by *Kirtsaeng* and *Costco.*

II. *Kirtsaeng* Is Wrongly Decided as a Matter of Law and Policy, and Should be Reversed.

A. The Majority Opinion Misinterprets Section 109; the Dissent Faithfully Interprets It.

The *Kirtsaeng* panel faced "an issue of first impression in our Court." *Id.*, 654 F.3d at 212. Deeming the five-word

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23. An exception to an exception to the first sale doctrine allows the rental, lease, or lending of a computer program embodied in a machine or product, such as a car. 17 U.S.C. §109(b)1(B)(i). There is no hint in the statute or legislative history that Congress meant to apply this provision only to domestically-produced vehicles.

phrase "lawfully made under this title" to be "simply unclear" and "utterly ambiguous," the panel majority found the text susceptible to three plausible meanings: "(1) 'manufactured in the United States'; (2) 'any work that is subject to protection under this title'; or (3) 'lawfully made under this title had this title been applicable.'" *Id.*, at 220 (footnote omitted). The first interpretation gave primacy to a copyright owner's ability to exclude importation of authentic foreign-made copies under section 602(a). Either of the latter two interpretations maintained a broader scope of the first sale doctrine under section 109.[24]

The court described the question as "perhaps a close call," but in the end chose the first interpretation. *Kirtsaeng*, 654 F.3d at 221. The court acknowledged that its interpretation found no direct support in the statutory text; and that if Congress had meant section 109(a) to apply only to copies made in the United States "it could have easily written the statute to say precisely that," as Congress had done in other sections of title 17.[25]

The central flaw in the Second Circuit analysis is that it mistakenly divides the universe of copyrighted copies into two exclusive categories: those made in the United States, and those made in another country. *See Kirtsaeng*, 654 F.3d at 221. That analysis erroneously omits a third category which is most pertinent here: copies made in a foreign country by or with the authority of the U.S. copyright owner.

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24. *See Kirtsaeng*, 654 F.3d at 220 & n.38.

25. *Id.* at 220.

The dissenting judge in *Kirtsaeng* understood the importance of this distinction. Judge Murtha observed that Congress elsewhere in title 17 had inserted a domestic manufacturing requirement where it so intended, hence there was no justification to graft that restriction onto the words "lawfully made." 654 F.3d at 225-226.[26] Congress also used the phrase "under this title" in multiple sections of the Copyright Act to describe the scope of rights created under title 17. *Id.* Moreover, the dissent noted, foreign entities can exercise U.S. copyright rights (*i.e.*, can act "under this title") acting either as or with the authority of the U.S. copyright owner. *Id.* Therefore, the dissent gave the phrase its natural reading, and held that a copy "lawfully made under this title" means that "regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law." *Id.* at 226.[27]

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26. For example, section 601 prohibited certain importation of copies of books protected "under this title" unless they were "manufactured in the United States or Canada"; and contains a detailed description of what "manufacture" means in that context. Had Congress meant section 109 also to be so limited, undoubtedly they would have defined similarly explicit conditions, since both provisions were concurrently being enacted in the 1976 Act. Moreover, it would be anomalous to imply broad domestic manufacturing conditions into section 109 when, in the same Act, Congress found such requirements to be unjustified and sunset them. H.R. Rep. No. 94-1476, at 166 (1976).

27. Although not pertinent to this case, the phrase "under this title" is broader than "by or with the authority of the copyright owner" as it includes copies made under the authority of title 17 without the authority of the copyright owner; for example, phonorecords made under the section 115 compulsory license. H.R. Rep. No. 94-1476, at 79 (1976).

Under the dissent's interpretation, the phrase "lawfully made under this title" has a consistent text-based meaning. Regardless of whether a copy is produced in the United States or abroad, if the copy is made by or under the authority of the U.S. copyright owner, the owner and all subsequent owners of that copy are protected under the first sale doctrine.

B. *Quality King* Does Not Support the Second Circuit Majority's Flawed Interpretation.

In *Quality King*, this Court analyzed the interaction of sections 106, 109, and 602 of the Copyright Act, and held the importation prohibitions of section 602(a) are "simply inapplicable" to both domestic and foreign owners of lawfully-made products that import and resell them in the United States. *Id.*, 523 U.S. at 145. After the first sale, even unauthorized resales do not infringe the copyright owner's exclusive right to distribute. *Id.* at 143. "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152.[28]

Quality King gave full force to the first sale doctrine, and placed retailer and consumer first sale rights beyond the reach of the copyright owner:

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent

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28. *Cf. Quanta Computer, Inc. v. LG Elecs, Inc.*, 553 U.S. at 625 ("[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item").

> purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, §109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item.

Id., 523 U.S. at 145. By affirming the primacy of the first sale doctrine over the importation ban, the Court granted a crucial victory to commercial businesses and consumers alike.

The majority in *Kirtsaeng* relied upon a misreading of this Court's opinion in *Quality King*. In *dicta*, the Court there considered a scenario in which a U.S. copyright owner assigned publishing and distribution rights separately to British and U.S. publishers under their countries' respective laws. *Quality King*, 523 U.S. at 148. Under those facts, the Court posited that the British publisher (which presumably possessed the right to manufacture only under British law) could not distribute that book in the United States pursuant to a first sale defense. Thus, the key fact in this hypothetical was not the *place* of manufacture but rather the *right* to manufacture under title 17.[29] That is not the scenario presented here

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29. *Cf. Boesch v. Graff*, 133 U.S. 697 (1890) (importation of foreign lamps lawfully made in Germany by one who had no rights under the United States patent infringed rights of United States patent assignee). Several other courts have misread this passage in *Quality King* as if it turned on the place of manufacture. *See Pearson Educ. Inc. v. Arora*, 717 F. Supp. 2d 374, 379 (S.D.N.Y. 2010) ("[t]his Court has—albeit unenthusiastically—followed the Supreme Court's suggestion that the 'first sale' rule does not apply to works copyrighted in the United States, manufactured

or in *Costco*, where the copies were produced by the U.S. copyright owner or its authorized subsidiary.

III. Both the *Kirtsaeng* Majority and *Costco* Ignore the Policies Underlying the First Sale Doctrine, Putting at Risk Retailers, Their Suppliers, and Their Customers.

1. The Second Circuit majority not only made parallel importations of copies of copyrighted works unlawful; it negated first sale privileges even for copies manufactured abroad, or imported and sold in the United States, by or under the authority of the copyright owner. While the majority acknowledged that its interpretation created undesirable real world results, it did nothing to ameliorate them. The Ninth Circuit in *Costco* attempted a band-aid solution to these anomalous consequences. But neither resolves the adverse impact of their respective rules upon United States retail commerce—an impact completely avoidable by adopting the interpretation of section 109(a) by the *Kirtsaeng* dissent.

The *Kirtsaeng* majority creates two major impediments to lawful retail commerce.[30] First, retailers cannot feasibly ascertain whether particular goods are protected by

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abroad, and subsequently imported and sold in the United States"); *Pearson Educ. Inc. v. Liu*, 656 F. Supp. 2d 407, 416 (S.D.N.Y. 2009) ("[t]his Court therefore holds, *dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad").

30. The Ninth Circuit adds a third, equally unknowable, condition of whether each importation was authorized by the copyright owner.

a copyright. A copyright owner is under no obligation to place a copyright notice on goods,[31] and notices pertaining to ancillary copyrights, such as packet inserts or the reverse of a watch, may be placed inside product packaging where they are not visible at the time of purchase. It is no solution to suggest that a distributor or retailer should presume that every product is copyright-protected, as the costs and risks of doing so would make normal commerce impossible. Second, neither a mass market retail chain that imports billions of dollars of goods for resale each year, nor a local shop that purchases its inventory from importers and distributors in the middle of the supply chain, can know for certain the actual place of manufacture of all the lawfully-made imported goods they purchase for resale. *Supra*, at 13-14.

The *Kirtsaeng* dissent correctly recognized that the majority's interpretation would impose insupportable economic burdens on retailers and consumers alike: "Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market."[32] Retailers simply have no acceptable recourse under the majority's view.

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31. Pursuant to the Berne Convention Implementation Act of 1988, copyright protection no longer relies on the formality of giving notice, which under section 401(a) now is permissive. Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988).

32. *Id.* at 227. *See also Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996) ("The impracticality of the burden [plaintiff] would have us impose on the retailers gives us pause about whether its reading of *Parfums Givenchy* and *BMG Music* is correct.").

They cannot independently investigate the provenance or copyright status of tens of thousands of products without unacceptably increasing transaction costs and the price of goods paid by consumers. And boilerplate contractual representations, warranties, or indemnifications as to origin and copyright status offer far less protection against infringement claims than does the comprehensive legal defense afforded by the first sale doctrine.

This Court acknowledged in the patent context how the first sale doctrine promotes commerce and personal property rights, and protects legitimate businesses against the uncertain risks of infringement liability:

> one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. ... *The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.*[33]

Businesses that rely on exceptions to intellectual property rights need bright line rules to avoid the "disastrous or even lethal consequences" of infringement suits:

> businessmen are certainly entitled to know when they are committing an infringement. ... But to what avail these congressional precautions if this Court, by its opinions, would

33. *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 666-667 (1895) (emphasis added).

> subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them....[34]

The Ninth Circuit similarly acknowledged how an overbroad interpretation of section 602(a) and a narrow scope of section 109 would impose undue burdens and financial risks upon lawful commerce:

> [E]very little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back.[35]

The principles announced in *Quality King* relieve retailers from unknown and unknowable infringement litigation risks that could jeopardize their businesses. But the *Kirtsaeng* majority and the Ninth Circuit in *Costco* ignored these consequences. As a result, the *Kirtsaeng* majority and *Costco* decisions cause undue disruption and uncertainty for retailers and distributors, who confront the risks of selling virtually any imported product that could have a copyrightable label, logo, or insert—risks as far-reaching as injunctive relief, seizure and loss of inventory, statutory damages (ranging from $750 to

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34. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 358-359 (1961) (Black, J., concurring).

35. *Disenos Artisticos*, 97 F.3d at 380.

$150,000), and payment of plaintiff's (and its own) costs and attorneys' fees.[36]

2. The *Kirtsaeng* majority recognized that a domestic manufacturing requirement also creates perverse incentives for U.S. copyright owners to produce all copies of their copyrighted works outside the United States. The court recognized the "force" behind concerns that its interpretation would reward copyright owners that moved manufacturing offshore—a result that Congress could not have intended.[37] No copyright or public policy is served by the attendant losses of jobs and tax revenue, or the manifest disadvantages to consumer and commercial interests.

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36. *See Parfums Givenchy, Inc.*, 38 F.3d at 482 ("the purchaser of illegally imported copies has no more authority to distribute copies than does the original importer"); *Am. Int'l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978) ("even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder").

37. *See Kirtsaeng*, 654 F.3d at 228 (Murtha, J. dissenting) ("I do not believe Congress intended to provide an incentive for U.S. copyright holders to manufacture copies of their work abroad."). That very concern led the Ninth Circuit to criticize its own prior holding on the scope of the first sale doctrine in *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991). *See L'anza Research Int'l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109, 1115 (9th Cir. 1996), *rev'd on other grounds*, 523 U.S. 135 (1998) (noting leading commentators' criticism of *BMG Music*); *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d at 1149-50 (noting "widespread criticism" of *BMG Music*); *Parfums Givenchy v. Drug Emporium*, 38 F.3d at 482 n.8 (characterizing as "absurd and unintended" to give "foreign manufactured goods . . . greater copyright protection than goods manufactured in the United States").

3. The Ninth Circuit in *Costco* recognized these same policy considerations, and the absurd results flowing from a domestic manufacturing requirement.[38] Its judicially-created solution would apply the first sale doctrine where the sale in the United States of foreign-made copies was authorized by the copyright owner.[39]

Rather than interpret section 109(a) to avoid such absurd results, or adopt the extra-statutory rule invented by the Ninth Circuit, the *Kirtsaeng* majority stuck by its draconian view. It instead suggested that "[i]f we have misunderstood Congressional purpose in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen by Congress or which Congress now finds unpalatable, Congress is of course able to correct our judgment." *Id.* at 222.

The *Kirtsaeng* dissent also rejected the Ninth Circuit's "imperfect solution," which "finds no support in the statutory text" and conflicts with the teaching of *Quality King* that the place of the sale "is irrelevant for first sale purposes." *Id.* at 228. Indeed, conditioning the first sale doctrine on the consent of the copyright owner reads out of section 109(a) its most fundamental attribute

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38. *See Omega SA v. Costco*, 541 F.3d at 989: "A U.S. copyright owner, for example, would be unable to exercise distribution rights after one lawful, domestic sale of a watch lawfully made in South Dakota, but, without the limits imposed by §109(a), the same owner could seemingly exercise distribution rights after even the tenth sale in the United States of a watch lawfully made in Switzerland."

39. "[P]arties can raise §109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred." *Id.* (citations omitted).

-- that the owner of a copy is entitled to the benefits of the first sale doctrine "*without* the authority of the copyright owner" (emphasis added).[40]

As a matter of policy, the Ninth Circuit's approach does little to soften the blow against retailers and distributors. Given the practical difficulties of assuring the lineage of the goods they sell, retailers would remain at risk whenever buying and selling imported goods. Moreover, the requirement of an "authorized" domestic sale deprives the retail chain of the competitive benefits of broader distribution and arbitraged pricing of authentic foreign-made goods. Thus, both the *Kirtsaeng* majority and the Ninth Circuit *Costco* decisions subjugate retailer competition to copyright owner price controls, resulting in fewer goods offered in fewer retail outlets at artificially inflated prices.[41]

3. Applying the first sale doctrine only to domestically-produced goods also unfairly advantages foreign owners of U.S. copyrights over U.S. copyright holders. In *Parfums Givenchy*, the Ninth Circuit concluded that denying first

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40. Thus, the Ninth Circuit in *Costco* committed two paradoxical errors of statutory interpretation. It read *into* section 109(a) a requirement of manufacture "in the United States," and read *out* of the text the express requirement that the doctrine applies "without the authority of the copyright owner."

41. The enormous cumulative impact of that price discrimination cannot be justified by copyright policy, inasmuch as it may have little or nothing to do with the value of the asserted copyrighted work. Taking *Costco* as an example, no one reasonably could contend that the $700 difference between Omega's U.S. MSRP and Costco's retail price bore any relation to the one-centimeter engraving on the back of the watch.

sale rights to foreign made goods would contravene both the language of the statute and public policy:

> This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States. We agree that such a result would be untenable, and that nothing in the legislative history or text of §602 supports such an interpretation.[42]

No rule of statutory interpretation suggests that Congress intended to give greater rights to foreign manufacturers than to U.S. manufacturers—particularly where even the Second Circuit found the text readily susceptible to interpretations that created no absurd policy results.

4. Under both the *Kirtsaeng* majority and *Costco*, any purchaser of a foreign-produced copyrighted work—even if made with the express authority of the copyright owner—could lose the right to dispose of the property in any manner of resale, gift, or lending, without being branded an infringer. The result is a multibillion dollar drain on consumers and the American economy, through higher prices paid for goods that could have been purchased at lower arbitraged prices. That impact

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42. *Parfums Givenchy*, 38 F.3d at 482 n.8 (citing *BMG Music*, 952 F.2d at 319).

will become more pervasive, and more costly, given the rapid growth of parallel importation by distributors and retailers. And it could similarly affect commerce in used imported goods via popular online retail and resale sites such as amazon.com, eBay.com, and craigslist.org, by subjecting consumers and resellers to the threat of infringement suits, and increasing prices.

5. In sum, the high economic and social costs of the decisions of the *Kirtsaeng* majority and the Ninth Circuit in *Costco* further support their reversal. If the interpretation of the first sale statute by either of these courts is allowed to stand, the retail industry will have little confidence to stock authentic goods acquired from an independent exporter, importer, or distributor, and less ability to protect themselves against the threat of infringement liability. And consumers will unnecessarily pay higher prices and suffer losses of competition for reasons wholly unrelated to the expressive value of a copyrighted work.

This Court should articulate a clear interpretation of section 109(a), consistent with the statutory text, that applies the first sale doctrine to any copies of copyrighted works that are made by or with the authority of the copyright owner or title 17—*i.e.*, that are "lawfully made under this title."

CONCLUSION

The decision of the Second Circuit should be reversed.

Respectfully submitted,

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AMICUS CURIAE BRIEF

No. 11-697

In The Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY AND SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF SOFTWARE AND INFORMATION INDUSTRY ASSOCIATION (SIIA) AS *AMICUS CURIAE* IN SUPPORT OF THE RESPONDENT

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STATEMENT OF THE INTEREST OF THE *AMICUS*[1]

Amicus, the Software & Information Industry Association ("SIIA"), is the principal, largest and oldest U.S. trade association representing software and content companies. SIIA member companies are providers of, among other things:

- software publishing, graphics, and photo editing tools;
- corporate database and data processing software;
- financial trading and investing services, news, and commodities exchanges;
- online legal information and legal research tools;
- textbooks, reference works and research periodicals;
- protection against software viruses and other threats;
- education software and online education services; and
- open source software.

SIIA has been an industry leader in addressing intellectual property issues in the software and information industries for many years.

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[1] No counsel for a party authored this brief in whole or in part and no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been lodged with the Clerk.

On behalf of its members, SIIA has actively participated in legal, legislative and regulatory discussions affecting the software and information industries, especially legislative debate and revisions relating to copyright. Its views are informed by its real-world experience as: (1) both "buyers" and "sellers" in various kinds of market transactions that may be affected by this case, (2) licensors and licensees in transactions that, as SIIA urges, are not affected by the first sale doctrine, such as mass market software licensing; (3) copyright owners attempting to protect their rights and sustain their business in an increasingly challenging global electronic marketplace; and (4) users of works who must draw on the ideas and expression of others to create new expressive works. SIIA's software and content publishers have long relied upon the courts' consistent interpretation of the interplay between sections 109 and 602 of the Copyright Act.

SUMMARY OF ARGUMENT

SIIA generally agrees with Respondent that the language of section 602, and the accompanying legislative history, supports its position that the U.S. Court of Appeals for the Second Circuit correctly concluded that the first sale doctrine, as codified in section 109, did not apply to foreign-made copies imported into the United States by Petitioner. While that conclusion is correct, the language that Congress used to compel it does not shimmer with clarity. Petitioner's argument in this case focuses not so much on the development of section 602(a), but instead the parade of alleged horribles that will occur if the Court interprets the Copyright Act in a manner that allows Respondent to prevent the Petitioner from importing into the United States copies intended for foreign markets in violation of section 602. As an organization that represents companies that are owners and users of copyrighted works, as well as creators of innovative new technologies and valuable digital content, *amicus* writes to emphasize three basic points.

First, there are a variety of rational and widely beneficial reasons for a copyright owner to prevent copies made for sale abroad from entering the United States. Market segmentation has many salutary effects both for copyright owners and the consumer by providing incentives for the creation of new copyrighted works (made possible by foreign exploitation), lower domestic prices, expansion and investment in U.S. companies, and employment. In addition, the laws or economics of a particular

foreign market may dictate the differences in the copies produced for that market. Nonetheless, Petitioners point to a variety of policy ailments that will allegedly afflict the copyright system if the lower court's ruling is upheld, and speculate as to the effect of affirmance. These contentions are belied both by past experience in which none of these horribles has occurred in the thirty-plus years since section 602's enactment and SIIA's members' present experience in licensing software. In either case, market segmentation serves the ends of the copyright law.

Second, copyright law does not apply extraterritorially. Unlike the copies at issue in *Quality King*, the copies in this case were not lawfully made within the borders of the United States. Section 602 constructively embargoes these goods from the United States unless they arrive with the copyright owner's approval. Upon authorized arrival, however, they can be sold and used subject to the Act's usual rights and defenses.

Finally, SIIA recognizes that there is a case that Congress did not consider—that of the facts of *Costco*. No one drafting or considering section 602 could have conceived that the Copyright Act would be used to thwart parallel imports in cases where a copyrighted work that lacks any independent economic value is intentionally affixed to an imported product. *Amicus* respectfully suggests that, notwithstanding the Court's dicta in *Quality King*, the fair use doctrine can provide a principled basis to distinguish the present case from cases in

which the copyright claim is being used as an artifice to prevent the importation of a functional object to which the copyrighted work happens to be attached.

ARGUMENT

I. CONGRESS HAD SOUND POLICY BASES FOR GRANTING COPYRIGHT OWNERS PROTECTION FROM UNAUTHORIZED PARALLEL IMPORTS

The limited rights Congress implemented in section 602 are beneficial to consumers and significant for many copyright owners. Indeed, the enormous commercial success enjoyed by *amici* such as eBay and Amazon, and the vibrancy of the U.S. market for copyrighted works, illustrate the fallacy in their speculation. The sky has neither fallen nor shown cracks.

Differentiated pricing benefits U.S. consumers in the form of newly created copyrighted works (made possible by foreign exploitation), lower domestic prices,[2] expansion and investment in U.S. companies, and employment. *See, e.g.*, Robert D. Anderson et al., Intellectual Property Rights and International Market Segmentation in the North

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[2] Differentiated global pricing often results in a larger global market for a product. The producer's fixed costs, sometimes including first production costs, then have a wider base against which to be recovered, which in turn permits the producer to lower prices in the domestic market to levels that would not otherwise be possible.

American Free Trade Area, in Competition Policy and Intellectual Property Rights in the Knowledge Based Economy 397, 402 (Robert Anderson & Nanc Gallini eds., 2007) ("Without market segmentation, the domestic consumer would not receive the same level of product quality and variety, service, and information that would prevail under market segmentation."). Differentiated pricing also provides enhanced investment opportunities in and for U.S. copyright owners, and allows U.S. copyright owners to more efficiently utilize the exclusive rights granted to them under the Copyright Act. *See Parfums Givenchy v. C & C Beauty Sales*, 832 F. Supp. 1378, 1390-91 (C. D. Cal. 1993). It enhances the value of a U.S. copyright, and the incentive that the law is designed to create.

There are a variety of rational and widely beneficial reasons for a copyright owner to prevent copies made for sale abroad from entering the United States, to compete with copies made for domestic distribution. Some SIIA member companies, for example, introduce slight variations in product presentation or quality to conform to the demand in various countries. Price may be driven by multiple factors, including distribution channels and differing characteristics of regional demand curves. *See generally* William J. Baumol & Daniel G. Swanson, *The New Economy and Ubiquitous Competitive Price Discrimination: Identifying Defensible Criteria of Market Power*, 70 Antitrust L. J. 661, 665 (2003). Examples include test preparation materials, textbooks, and other copyrighted works, with prices based upon various

local and international factors. SIIA members rely upon section 602 to make and sell "country-specific" or "region- specific" versions of their products. For example, many textbook publishers, like Respondent, find it impractical and uneconomical to provide its "standard" product in third world countries, but can produce a slightly modified, lower-priced version to sell there.[3]

Moreover, SIIA members sometimes deem some version of "market segmentation" necessary to comply with the legal regimes of foreign countries or to reduce legal risk in such countries. For example, in the publishing industry, privacy and defamation laws can vary substantially from country to country. *See, e.g., Ehrenfeld v. Bin Mahfouz*, 518 F.3d 102, 104 (2d Cir. 2007) (describing "libel tourism"). The software industry faces similar concerns due to data protection and security laws that vary abroad.[4]

In short, Congress had multiple, rational reasons to provide copyright owners with a right to preclude certain parallel imports. The result of the Second Circuit decision furthers those policy goals,

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[3] Sometimes the product may be exactly the same as the domestic version. Sometimes it may have differences, such as lower quality paper, or black and white illustrations instead of color, or different typesetting.

[4] *See generally, e.g,* EU Directive 95/46/EC of the European Parliament and the Council of 24 October 1995 on the Protection of Individuals with Regard to the Processing of Personal Data and the Free Movement of Such Data, 1995 O.J. L 281, available at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31995L0046:en:HTML.

and Congress had good reasons to enact section 602's prohibition.

Nonetheless, Petitioner and his *amici* predict dire consequences for users of works if section 602 is held to apply to importations of works manufactured outside the United States. These arguments overlook one of the foundational tenets of the copyright law. "[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge." *Eldred v. Ashcroft*, 537 U.S. 186, 213 n.18 (2003) (emphasis in original) (citing *American Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 27 (S.D.N.Y. 1992), *aff'd*, 60 F.3d 913 (2d Cir. 1994)). Petitioner's "demagogic effort to undermine the publishers' rights by tarring them as wealthy profiteers carries no force in copyright analysis, which does not begrudge copyright profits." *Texaco*, 802 F. Supp. at 27. Profit maximization is a feature of the copyright system, not a bug.

Kirtsaeng and his *amici* claim that if the first sale doctrine is not interpreted to now apply to foreign-made copies, secondary markets for copyrighted works will virtually disappear. There is no tangible basis for this suggestion. No SIIA member has moved manufacturing operations abroad in response to the Court's holding in *L'anza v. Quality King*, 523 U.S. 135 (1998), or affirmance of the Ninth Circuit's decision in *Costco v. Omega*, 541 F.3d 982 (9th Cir. 2010), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2011). Throughout its

extensive, ongoing copyright enforcement activities, SIIA is aware of no instance in which a U.S. reseller was sued over a legitimate copy that had been made overseas and imported *with* the copyright owner's authorization. Thus, there is simply no sound reason for changing the rules that have been in effect for thirty years. *See, e.g., CBS, Inc. v. Scorpio Music Distribs.*, Inc., 569 F. Supp. 47 (E.D. Pa. 1983) (first sale doctrine does not protect unauthorized import of foreign made copies), *aff'd*, 738 F.2d 424 (3d Cir. 1984).

II. THE SOFTWARE LICENSING PARADIGM DEMONSTRATES THE BENEFITS TO CONSUMERS AND INDUSTRY OF MARKET SEGMENTATION

For several decades, the software industry has relied on a licensing model for the distribution, maintenance, and updating of its software products and services to and for its customers.[5] Today,

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[5] The benefits of section 109 inure only to the "owner of a particular copy" and not one who obtains it by other means, such as under a license. *See, e.g., Quality King*, 523 U.S. at 146–47. This requirement has long exempted various categories of copyrighted works, such as many mass- marketed software products, from the first sale doctrine and the essential steps doctrine of section 117. *See, e.g., Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111-14 (9th Cir. 2010), *cert. denied*, 132 S. Ct. 105 (2011); *Cincom Systems, Inc. v. Novelis Corp.*, 581 F.3d 431 (6th Cir. 2009) (software transaction was a license with a non-transfer provision, so subsequent acquiring entity infringed when it used the software); *Wall Data Inc. v. Los Angeles County Sheriff's Dep't*, 447 F.3d 769 (9th Cir. 2006) (software distributed under shrink-wrap license,

licenses govern most software transactions, and the software and information industry has grown to over $500 billion in annual revenues. See Software & Information Industry Association, Software and Information: Driving the Knowledge Economy (January 24, 2008) at 7-8, http://www.siia.net/estore/globecon-08.pdf. The software and information industry is one of the largest employers in the United States, and is projected to add two million more jobs by 2016. See U.S. Bureau of Labor Statistics, National Industry Specific Occupational Employment and Wage Estimates, http://www.bls.gov/oes/current/oessrci.htm#51 (last modified Oct. 24, 2007).

The software licensing model permits a wider range of users to access and use software. A publisher need not reduce or degrade the function of its product in order to provide it at a reduced price appropriate for a particular market of users. Rather, the publisher can simply vary the rights of using it. So, for example, a publisher may offer a fully functional "academic" version of its product to students at a deeply reduced price, but the rights granted do not permit use for commercial purposes. *See, e.g., ProCD, Inc., v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) ("Instead of tinkering with the product . . . [software companies] turned to the institution of contract."); *id.* at 1455 ("Terms and conditions offered by contract reflect private ordering, essential to the efficient functioning of

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so not owned by the user); *DSC Commc'ns Corp. v. Pulse Commc'ns, Inc.*, 170 F.3d 1354, 1362 (Fed. Cir. 1999).

markets."). Similarly, "OEM licenses" bundle software with or installed upon specific hardware, such as a scanner or desktop computer, and require the software to be used and distributed only with that hardware. Often, the hardware manufacturer was granted a deep discount as part of the OEM license terms. Another example is "site licenses," which are defined by some geographic restriction on use, such as a specific company, area, or even department or floors of a building. *See, e.g.*, Software & Information Industry Association & LicenseLogic LLC, Certified Software Manager Student Manual (SIIA Publications 2004) at 4:1–4:52.[6]

Preventing grey market infringement is but one effect of some licenses, albeit an important one. For example, illegal online "resale" of licensed academic and original equipment manufacturer (OEM) software on sites such as eBay is a very significant problem and may jeopardize the future availability of discounted software to those markets. *See Vernor*, 621 F.3d at 1114-15. But more importantly, the ongoing rights and responsibilities in licenses provide a critical level of clarity and expectations to licensors and licensees in the

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[6] Licenses also are the foundation of open source software development and distribution. *See, e.g.*, *Jacobsen v. Katzer*, 535 F.3d 1373, 1378 (Fed. Cir. 2008) ("Open source software licenses, or 'public licenses,' are used by artists, authors, educators, software developers, and scientists who wish to create collaborative projects and to dedicate certain works to the public."); GNU General Public License, Preamble, http://www.fsf.org/licensing/licenses/gpl.html (November 14, 2009).

software and information industries.

Although neither licenses nor software are at issue in this case, SIIA believes that the practical operation of the software licensing market is instructive. As software providers are able to offer similar but differently priced goods to markets through licensing terms, they also undertake similar practices to segment markets geographically. Section 602 reflects a similar recognition that market segmentation (and the benefits that can be had by copyright owners and consumers alike by offering different works in different markets) preserves and enhances the economic incentives to create new works and to disseminate existing works more widely and in new ways. That result is neither absurd nor apocalyptic, but entirely consistent with the copyright law's promotion of "Science and useful Arts." U.S. Const., Art. 1, § 8 cl. 8. *See* The Federalist No. 43 ("The public good fully coincides...with the claims of individuals.") (Madison). When viewed through this lens, the legislative history of section 602 compels the conclusion that Petitioner's activity is an infringement.

III. THE FIRST SALE DOCTRINE DOES NOT APPLY TO COPIES LAWFULLY MADE IN FOREIGN JURISDICTIONS THAT ARE IMPORTED INTO THE UNITED STATES WITHOUT AUTHORIZATION

Section 109 does not apply to copies made under the law of foreign jurisdictions that are then

imported into the United States in violation of section 602. Petitioner argues that such an interpretation: (1) renders all the normal copyright defenses inapplicable; and (2) encourages the foreign manufacture of works. (*See* Pet. Br. at 23). Petitioner's contentions are incorrect.

The copyright law does not apply extraterritorially. *See Subafilm v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (en banc). For example, an allegation that a defendant located in the United States who merely directed the infringement of a particular work to take place broad is generally insufficient to support a copyright infringement claim under the laws of the United States because no infringing act occurred within U.S. borders. See *id.* at 1094.[7] United States law treats a copyright owner who has authorized production of copies of his work abroad the same as the defendant here. For both the copyright owner and the purchaser, the fact that one party has authorized production of copies of a work abroad and the other has purchased the copy abroad is a non-event under U.S. law because the production of copies occurs outside the borders of the United States.

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[7] *See also, e.g.*, 4 Nimmer on Copyright § 17.02, at 17-19 (2009) ("[C]opyright laws do not have any extraterritorial operation."). International copyright treaties similarly treat the "lawfulness" of making a reproduction as the province of the nation in which it occurred. *See, e.g.*, Berne Convention for the Protection of Literary and Artistic Works, art. V (Sept. 28, 1979) ("Protection in the country of origin is governed by domestic law.").

The question then becomes what happens when the purchaser wishes to bring the work into the United States for non-exempted purposes. Section 602 states:

> [i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies under section 106, actionable under section 501.

17 U.S.C. § 602(a).

Section 109, however, provides:

> [n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. § 109(a).

When read with section 109, section 602 creates a constructive embargo against certain copies lawfully made under foreign copyright laws. "[A]n "embargo" is an import regulation that takes

the form of a governmental prohibition on imports, regardless of any exceptions it may contain and regardless of its ultimate purpose -- just as quotas, tariffs, and conditions on importation are identifiable forms of import regulation regardless of their exceptions and purposes." *K Mart v. Cartier*, 485 U.S. 176, 195 (1988) (Scalia, J., dissenting). Put another way, proper application of section 109's phrase "lawfully made under this title" pre-supposes that the copy is lawfully present in the United States in the first place.[8] The copies at issue in this case have *never* been present within the borders of the United States legally. U.S. copyright law simply never reaches them—in the same way that it also does not reach infringing copies made abroad. Such copies are not "lawfully made under this title."

Thus, unlike the labels in *Quality King*, which were manufactured in the United States, the books in this case were not "lawfully made under this title," and do not become eligible for the application of section 109 unless and until their presence on U.S. soil is authorized. "If none of the three exemptions [contained in 602(a)(3)] applies, any unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken

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[8] For example, lacking the resources to examine every import into the United States, the Customs Service may permit goods entry into the United States on a conditional basis, and penalize the importer for failing to abide by existing law. *See* 19 C.F.R. § 151.2(a)(2); *see United States v. Toshoku America, Inc.*, 879 F.2d 815, 819 (Fed. Cir. 1989).

place." H. Rep. No. 94-1476, at 170 (1976).

Understood as a limited embargo, the text of the Act makes perfect sense. What happens in Thailand stays in Thailand; only when the copies lawfully enter the United States does the first sale doctrine potentially apply. Once imported into the United States with the copyright owner's authorization, these copies are exactly the same as any other copies located in the United States. Upon sale, section 109 exhausts the distribution right, and the rest of the Act's defenses and privileges are available as needed.

A. The Surrounding Context In The Copyright Act Support Affirmance of the Result in this Case

Petitioner and its *amici* argue that "lawfully made under this title" means simply that the copy would have been lawful if United States copyright law applied. But if Congress had meant that, it knew exactly how to make that distinction – it did so in a different part of section 602. Section 602(b) prohibits importing piratical copies when the making of the copies "would have constituted an infringement of copyright *if this title had been applicable*," 17 U.S.C. § 602(b) (emphasis added). *See also* 19 C.F.R. § 133.42. Congress' use in subsection (a) of the different phrase "under this title," must mean something different. *See, e.g.*, *Russello v. United States*, 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another

section of the same Act, it is generally presumed that Congress act[ed] intentionally and purposely. . . We refrain from concluding here that the differing language in the two subsections has the same meaning in each." (citations omitted)). Thus, "under this title" cannot mean *if* U.S. law applied to the making of the copy. It means U.S. law *did* apply to the making of the copy.[9]

Section 501 further states that anyone who violates the exclusive rights of the copyright owner "*or* who imports copies or phonorecords into the United States in violation of section 602," is an infringer of the copyright or right of the author, as the case may be. 17 U.S.C. § 501(a). Although the Court found this language probative, but ultimately unpersuasive on the facts of *Quality King*, see 523 U.S. at 149, *amicus* respectfully suggests that it is far more probative on these facts. Moreover, *amicus*'s interpretation is necessary to avoid internal redundancy within section 602 itself. Sections 602(a)(2) and 602(b) both provide remedies in the case of piratical goods that would appear to subsume section 602(a)(1) if that provision only covered piratical (unauthorized) copies. And

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[9] Section 104 of the Copyright Act is consistent, specifying when a U.S. copyright exists "under this title." 17 U.S.C. § 104. Section 104 speaks only in terms of "works" subject to title 17, not a "copy" or "copies," the term used in both sections 602 and 109. The question of the U.S. law's application to a "work" pre-supposes proper territorial application of the Copyright Act. Whether a "work" is subject to protection under title 17, and whether a *copy* triggers the Act's operation are two entirely separate issues.

limiting section 602 to piratical copies also would render moot the various exceptions within section 602, such as the "baggage exception" for travelers bringing back personal copies of a work. *See* 17 U.S.C. §602(a)(3)(B). Such exceptions would be unnecessary, as the user simply could assert the first sale doctrine.[10]

B. The Legislative History Of Section 602 Confirms That The First Sale Doctrine Is Not A Defense To Unauthorized Importation Of Copies Made Abroad

The legislative history of section 602 confirms that Congress enacted the statute to deal with the problem of parallel imports, not simply the importation of piratical works. *See, e.g.*, 4 William F. Patry, Patry on Copyright § 13:42 (2010) at 13-89 (Congress intended section 602 "to grant a U.S. distributor an exclusive right to distribute copies of the work in the United States."). Petitioner argues that its interpretation preserves some role of parallel importation; for example, if works were lawfully

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[10] Section 109(e) is not to the contrary. That section only deals with sections 106(4) (performance) and (5) (display), respectively. The decision that the Computer Software Rental Amendments Act of 1990, Tit. VIII of the Judicial Improvements Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089, 5134 (Dec. 1, 1990) overruled would have banned the unauthorized performance or display of *any* video game, including those made and sold in the United States. *See Red Baron v. Taito Corp*, 883 F.2d 275, 281 (4th Cir. 1989), Section 109(e) merely ensures that when such works have lawfully entered the United States, they may be used in the manner customarily expected.

made pursuant to a compulsory license that U.S. law does not recognize. (Pet. Br. 45). There is no credible evidence that section 602 was intended to apply so narrowly.

The Copyright Act of 1976 resulted from an exhaustive revision process lasting well over a decade. During one of the many on-the-record discussions held by the Copyright Office during the course of that revision, publishing and music industry representatives noted that the then-existing draft revision would not cover copies of a book or song licensed for manufacture abroad, sold and then imported. *See* Staff of the House Comm. on the Judiciary, 88th Cong., 1st. Sess., Copyright Law Revision, Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 212-15, 232, 235, 327 (Comm. Print 1963). In response, the Copyright Office drafted alternatives that prevented unauthorized importation, but differed in the duty of the Customs Bureau to enforce it. Preliminary Draft for Revised U.S. Copyright Law (Part 3) (1963), Alternatives A and B, *reprinted in* 5 The Kaminstein Legislative History Project (Alan Latman and James Lightstone eds.) 420-21 ("Kaminstein"); S. 3008, 88th Cong., § 44 (1964), *reprinted in* 5 Kaminstein at 427. The panel discussions of those alternatives engendered dispute over the proper role of the Customs Bureau, but did not challenge the fundamental premise of the draft. *See* Staff of the House Comm. on the Judiciary, 88th Cong., 2d. Sess., Copyright Law Revision, Part 4, Further Discussions and Comments on Preliminary Draft for

Revised U.S. Copyright Law 207-14 (Comm. Print 1964) ("Discussions, Part 4"). In addition, during these same discussions, witnesses suggested that the breadth of the import ban would prevent libraries and others from being able to import these works, which resulted in Congress adding exemptions to the legislation to address that concern. *Compare* Discussions, Part 4, at 205 (testimony urging lawful importation for libraries and the blind); *id.* at 299 (American Library Association requesting exemption for all research purpose due to issues with "variant editions"). Ultimately, Congress settled on language that barred importation of non-piratical copies, exempted importation of those copies by certain nonprofit institutions, and omitted any enforcement role for the Customs Bureau. H.R. 4347, 89th Cong., §602(a) (1965) exempting "importation for scholarly, educational or religious purposes and not for private gain"), *reprinted in* 5 Kaminstein at 428. Congress subsequently narrowed the exemptions in 1966 to those currently in the law[11] and, after some technical changes in 1969, they continued in their current form until enactment. *See* H.R. 4347, 89th Cong., §602 (1966), *reprinted in* 5 Kaminstein at 432

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[11] For example, after objections by the motion picture industry to the breadth of the exemptions to section 602 afforded educational institutions, Congress narrowed the exemptions to their current general scope, and excluded audiovisual works from the scope of the importation ban except for "archival use." *Compare* House Comm. On the Judiciary, Subcomm. No. 3, Hearings on H.R. 4347, H.R. 5680, H.R. 6831, and H.R. 6835, Part 2, at 1043, 1064-65 (objections of motion picture industry) with H.R. 4347, 89th Cong. 2d Sess. (1966) (as reported by the House Committee on the Judiciary), *reprinted in* 5 Kaminstein at 432.

(marking emergence of baggage exceptions); S. 543, 91st Cong., (1969), *reprinted in* 5 Kaminstein at 439.

Throughout that development, the Register of Copyright consistently maintained that section 602 was intended to address foreign copies that were made with the authorization of the copyright owner but authorized only for distribution abroad, and "if sold in the United States would be sold in contravention of the rights of the copyright owner who holds the *exclusive* right to sell copies in the United States." House Comm. on the Judiciary, 88th Cong., 2d Sess., Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft 28, 32 (Comm. Print Sept. 1964) (emphasis supplied); *see also* Staff of the House Comm. on the Judiciary, 89th Cong., 1st Sess., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 149-50 (Comm. Print 1965) (stating that the new provision would apply, for example, where "the copyright owner had authorized the making of copies in a foreign country for distribution only in that country", and explaining that it applied to "copies . . . lawfully made but distribution in the United States would violate the exclusive rights of the U.S. copyright owner." "). The report language accompanying the legislation consistently reflects that interpretation. *See* H. Rep. No. 89-2237, at 42 (1966); H. Rep. No. 90-83, at 138 (1967); S. Rep. No. 93-983, at 200 (1974); H. Rep. No. 94-1476, at 170 (1976).

Thus, while *amicus* is conscious of the admonition that the use of legislative history at times resembles "looking over a crowd and picking out your friends," Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 Iowa L. Rev. 195, 214 (1983), the legislative record lacks any convincing support for Petitioners' suggestion that Congress intended to limit section 602 solely to the artificial categories of works made under a compulsory license, or those subject to a shorter term. (*See* Pet. Br. at 45 (giving these examples)).[12] Moreover if Petitioner's argument was valid, there would have been no need to enact exemptions for libraries under section 602(b) to account for importation of such contrived classes of copies. Instead, the development of section 602 demonstrates that Congress intended to constructively exclude authorized copies made abroad from entry into the United States.

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[12] Congress enacted the 1976 revision with a weather eye on U.S. accession to the Berne Convention, see, e.g., H. Rep. No. 94-1476, at 135 (1976) (noting without amending term to life of the author plus fifty years, adherence to Berne Convention would not be possible). As this Court is well aware, see *Eldred*, 537 U.S. at 195-96 & n.2, the term of U.S. protection had been extended several times during the before and during the revision to reach the Berne standard. Thus, as the United States not only had a *shorter* term than most of the copyright producing world but also had a series of formalities that could cut copyright protection short, see generally *Golan v. Ashcroft*, 132 S. Ct. 873, 882 n.11 (2012), Petitioner's suggestion that Congress was concerned over countries with shorter terms importing copies of public domain works into the United States is implausible.

IV. THE COPYRIGHT ACT CONTAINS THE FLEXIBILITY TO DEAL WITH UNFORESEEN APPLICATIONS OF SECTION 602

In the same way that Congress did not intend to cabin section 602's application to copies from countries with a shorter term or compulsory licenses, the legislative record provides no evidence that it intended its application to situations where a trademark owner adds a copyrightable insignia or label on goods to protect against their parallel importation into the United States. *E.g.*, *Costco, supra; Quality King*, 523 U.S. at 153 (citing *K Mart v. Cartier*, 486 U.S. 281 (1988)). *Amicus* SIIA believes that the better way to address the concern raised by these cases is through the fair use defense contained in section 107 of the Act.

Although the Court in dicta suggested that fair use might not be available to the importer who infringed under this circumstance, *Quality King*, 523 U.S. at 150. SIIA respectfully suggests that that is not the case.[13] Fair use is at its core an "equitable rule of reason," H. Rep. No. 94-1476, at 65 (1976) (cited in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984), designed to take into account the facts of each case. The flexible and fact-specific nature of the defense renders it fully capable of taking into account the practical reality that people do not buy a watch because of an insignia on the back or buy shampoo because of the wording of

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[13] The Court in *Quality King* did not explore in the applicability of the fair use defense in any depth and, given the result in that case, it had no need to explore it.

the instructions. This reality would likely influence a court's determination of the fourth fair use factor: "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107 (4).

The fair use doctrine requires that a market for a work be "traditional, reasonable, or likely to be developed" when examining and assessing the effect that a secondary use of a copyrighted work may have on the potential market for or value of that work. *Texaco*, 60 F.3d at 930. In the case of products such as shampoo and watches, there is no economic value severable from the product to which the work is affixed, and no actual or potential market that can be harmed. For example, there is likely no separate licensing market for shampoo labels as the expressive work – the label – has no economic value severable from the product. *See A.V. ex rel. Vanderhye v. iParadigms*, 562 F.3d 630, 643-44 (4th Cir. 2009) (finding fair use of entire student paper in a for-profit anti-plagiarism database because of the lack of any separate existing licensing market for the student papers).

Congress imported this important policy distinction into other parts of the Copyright Act. For instance, the software rental provisions of the Act prohibit the renting of computer programs but the ban does not extend to computer programs in clocks and similar devices. *See* 17 U.S.C. § 109(b)(1)(B) (permitting the rental of software contained in certain limited purpose devices). Similarly, article 11 of the Agreement on Trade Related Aspects of

Intellectual Property Rights (TRIPS), Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U. N. T. S. 154, requires the United States and other signatories to ban software rental unless the software is not the "essential object" of the rental. The "essential object" language allows TRIPS signatories to lease cars and other useful articles without running afoul of their obligation to prohibit software rental. Such cases are readily distinguishable from the facts of this one or ones involving copies of traditional copyrighted works, where the expressive work itself is the essential object of the unauthorized importation, or where the work as a whole qualifies for protection. *Cf.* 17 U.S.C. § 101 (defining sculptural work).

In short, although SIIA arrives at the same destination by a different path, the Second Circuit reached the correct result in the decision below. Finding infringement in this context neither creates the parade of horribles that Petitioner envisions, nor threatens the traditional functions of title 17's defenses. Instead, it ensures the copyright owner's rights to exclusive distribution, and preserves essential financial incentives for authors to create.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

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AMICUS CURIAE BRIEF

RECORD
AND
BRIEFS

No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit

BRIEF OF THE TEXT AND ACADEMIC AUTHORS ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF AMICUS CURIAE[1]

The Text and Academic Authors Association (TAA) is the only nonprofit membership association dedicated solely to assisting the authors of textbooks and scholarly journal articles. Formed in 1987, the TAA has over 1,400 members, primarily consisting of authors or aspiring authors of textbooks and academic articles. Many of the TAA's members serve on college or university faculties. The TAA's mission is to enhance the quality of educational materials and to assist text and academic authors, by, for example, providing information on tax, copyright, and royalty matters; and fostering a better appreciation of their work within the academic community.

The TAA also works to promote the authorship of textbooks and other academic materials by providing its members with educational and networking opportunities. It offers workshops, audio conferences, webinars, and materials on the substance and mechanics of textbook writing and the publication process, and hosts an annual conference covering such topics as well. In addition, the organization offers two different types of grants to authors: an Academic Publication Grant to help authors cover the expenses incurred in preparing a work that has already been accepted for publication, and a Textbook Contract Review Grant to help cover the cost of

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[1] No counsel for any party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. Petitioner's letter consenting to the filing of this brief is being filed with this brief. Respondent's letter granting blanket consent to the filing of amicus briefs has been filed with the Clerk.

hiring an intellectual-property attorney to negotiate an author's first textbook contract.

While the TAA has weighed in on issues of significance in both state legislatures and Congress, it has never filed an amicus brief in any court until this time. The TAA has chosen to speak up now because this case is of the utmost importance to its members. The gray market in textbooks has a substantial negative impact on the authors of those works and poses a significant threat to the efficient operation of the textbook-publishing market. As explained herein, the importation of textbooks purchased abroad significantly diminishes the financial return on authors' investment of time, effort, and resources. Accordingly, the TAA files this brief to address the practical implications of this case on textbook authors, as well as to explain the crucial extraterritoriality issue that the parties have addressed only briefly.

SUMMARY OF ARGUMENT

Over the objection of the copyright owner, Petitioner asks this Court to allow resale in the United States of textbooks manufactured in a foreign country for sale in a foreign country. The profits for these resales go to arbitrageurs, who simply take advantage of the price variations in different countries, and come at the expense of the publishers and authors who spend an enormous amount of time and effort writing and preparing the textbooks in question. This result constitutes both bad policy and an incorrect application of the long-established principle that the Copyright Act does not apply extraterritorially.

First, as a matter of policy and fairness, this Court should not allow gray-market sales to undermine the royalties to which textbook authors are entitled. Authors typically spend years writing a textbook, and in return they receive a modest domestic royalty or a much smaller foreign royalty, depending on where the book is sold. Gray-market sales, however—fueled by the rapid development of e-commerce and easy international shipping—are allowing an increasing number of foreign editions to displace sales of new domestic textbooks. And because authors receive a smaller royalty when those foreign editions are initially purchased, the result of gray-market sales is that authors receive significantly less compensation for their work—an effect that is exacerbated every time a gray-market book is resold domestically, thereby reducing the need for new books (on which the author would receive a royalty). Ultimately, there is a significant risk that gray-market sales will force publishers to alter or even eliminate their practice of selling textbooks in foreign markets. Such a decision would cut off foreign students from preeminent U.S. textbooks, and would likely cause publishers to reduce spending on those textbooks in one way or another—for example, by reducing authors' royalties or scaling back expenditures on the research and development of new or updated texts. These results are inefficient and unnecessary.

Second, not only is Petitioner's approach bad policy, it also is inconsistent with basic principles of extraterritoriality established by this Court. While Petitioner briefly touches on this issue, it is, in fact, the crux of this case. Both Petitioner and Respondent essentially agree that the phrase

"cop[ies] lawfully made under this title" in 17 U.S.C. § 109 refers to copies that are subject to the Copyright Act. Because the Copyright Act does not apply extraterritorially, this means that copies are made "under this title" only where they are covered by a domestic—as opposed to an extraterritorial—application of the Copyright Act.

The manufacture of a book in a foreign country for sale in a foreign country is beyond the domestic scope of the Copyright Act. This Court recognized as much in *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908), where it held that a copyright-notice requirement did not apply to books manufactured abroad for sale abroad. More generally, in deciding what qualifies as a valid territorial application, this Court looks to the "focus" of the statute. The focus of the Copyright Act provisions regarding the making of copies is plainly infringement. Thus, the infringement must be domestic to fall within the Copyright Act. And the manufacture and sale of books abroad does not constitute domestic conduct for purposes of infringement. Accordingly, there is no basis for treating the textbooks here as being made under the Copyright Act, and the first-sale defense does not apply.

ARGUMENT

I. THE IMPORTATION OF GRAY-MARKET MATERIALS UNFAIRLY DEPRIVES AUTHORS OF THE VALUE OF THEIR WORK, AND UNDERMINES AUTHORS' INCENTIVES TO DEVELOP NEW TEXTBOOKS.

A. Authoring a textbook requires a substantial investment of time, effort, and resources.

The process of authoring a textbook requires an enormous amount of work. All told, the publishing cycle—from the author's conception of an idea for a new textbook to the time that the text reaches bookshelves—generally takes two to four years. MARY ELLEN LEPIONKA, WRITING AND DEVELOPING YOUR COLLEGE TEXTBOOK 43 (2d ed. 2008). During this time, a textbook author must complete a wide range of tasks. There is, of course, the actual writing of the text, requiring both extensive knowledge and research. Authors of text materials must be able to transform expert knowledge and field-specific jargon into accessible and understandable formats. Further, many authors also will have a role in, for example: compiling appendices, references, and bibliographies; producing figures and tables; obtaining necessary permissions for the use of photographs, artwork, quotations, and other illustrative materials; providing feedback as to the book's design; and proofing the text at various stages. *See generally* LEPIONKA, *supra*, at 29-42 (explaining the publication process); WILLIAM GERMANO, GETTING IT PUBLISHED: A GUIDE FOR SCHOLARS AND ANYONE ELSE SERIOUS ABOUT SERIOUS BOOKS 139-54 (2d ed. 2008) (advising authors on the process of obtaining necessary permissions to use others' work in a textbook).

Nor is an author's work limited to the textbook itself. The nature of textbooks has recently evolved, as publishers have endeavored to offer a range of materials that support the text and enhance the educational experience for both faculty and students. This effort on the part of publishers is seen as a reaction to the increasing diversity both of faculty (*i.e.*, the increased number of adjunct and part-time faculty members, who may require additional support) and of student bodies (*i.e.*, the increased number of students who require learning aides). *See* James V. Koch, *An Economic Analysis of Textbook Pricing and Textbook Markets* 9-10 (Sept. 2006) (ACSFA College Textbook Cost Study Plan Proposal) ("[I]ncreasingly diverse student bodies and faculty rosters encourage progressively more diverse textbook packages."). As a result, textbooks today often come with a number of supplemental materials, such as student workbooks, instructor's manuals, practice tests, PowerPoint slides, and supporting websites. *Id.* More often than not, the author will have a significant role in developing these materials.

In many cases, the publication cycle does not end with the first textbook's release. A strongly performing book frequently leads the publisher to call for a new edition. Publication of a new edition often requires another two to four years. LEPIONKA, *supra*, at 43. Petitioner asserts, without citation, that the publication of new editions is often unnecessary, and that this practice is simply a means for publishers to sabotage the used-book market by "mak[ing] the old editions obsolete." Pet. Br. at 7. In the experience of the TAA's members, this assertion is baseless. In many fields, there is a steady stream of developments and discoveries that merit addressing; if these

advancements are not covered in the author's textbook, they will be in someone else's. Often, when a field of study shifts in light of new information or a new theory, revising a text can be as substantial an undertaking as the process of authoring the original text. As just one example, the TAA found that the effort to update one textbook from the sixth to seventh edition required over 8,000 hours of work by the authors and contributors—and over ten person-years altogether (when accounting for development, editing, artistic production, and other necessary tasks). Text and Academic Authors Association, *TAA Debunks the Top 7 Myths Regarding Textbook Costs*, *available at* www.taaonline.net/notes/TAAmythsflyer.pdf (hereinafter "*TAA Debunks Myths*"). For authors, the amount of work required to produce a new edition is justified by the absolute need to ensure that a work that will be used as an educational tool contains the most up-to-date information possible.

In short, the process of authoring a textbook is a staggering one, requiring the author to devote his or her time and talents to the creation of a work whose ultimate success is far from assured. While there are a number of reasons that authors engage in this endeavor—among them, the opportunity to establish oneself in a field, and the desire to fill a void in existing literature—authors are entitled to, and motivated in part by, the compensation they receive from sales of their textbooks.

B. Textbook authors generally receive markedly less compensation—in the form of diminished royalties—for the foreign sale of their works.

In return for their substantial investment, textbook authors more often than not receive only

modest compensation; it is not the norm for such an author to realize significant monetary gain. Textbook authors are paid in royalties. Accordingly, an author's compensation is, generally speaking, a function of three numbers: the percentage royalty that the author negotiates with the publisher, the price at which the book is sold, and the number of new copies of the book that are sold.[2]

For textbook authors, domestic royalties are generally in the range of 8-18%. *See, e.g.*, MARK L. LEVINE, NEGOTIATING A BOOK CONTRACT: A GUIDE FOR AUTHORS, AGENTS AND LAWYERS, EXPANDED AND REVISED 54 (2d ed. 2009). ("Although 'standard' royalties are less common in th[e textbook] field, typical initial royalties range between 10% and 15% of net . . . ."); LEPIONKA, *supra*, at 79 ("Royalties of 8 to 15 percent are typical for major market textbooks, but smaller houses may offer less."); Henry L. Roediger, III, *Why Are Textbooks So Expensive?* (Jan. 2005), *available at* www.psychologicalscience.org/observer/getArticle.cfm?id=1712 ("A single author of a textbook might make a 15 percent royalty on the net price of the book (sometimes a bit more).").[3]

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[2] It should be noted that authors who are also faculty members generally do not profit by assigning their students to purchase a textbook they have written. Many colleges and universities either bar faculty from assigning their own textbooks, or require the faculty members to remit those royalties to the institution. Koch, *supra*, at 7.

[3] In some cases, authors and publishers may agree to an escalating royalty, which increases based on the number of books that are sold. *See, e.g.*, LEVINE, *supra*, at 54 (encouraging textbook authors to pursue royalties that increase from 10% for the first 2,500 sales, 12.5% for the next 2,500 sales, and 15% for all subsequent sales); LEPIONKA, *supra*, at 79 ("Academic and

While authors' domestic royalty rates are typically modest, the average royalties authors receive for books sold internationally are almost always even less. In fact, international royalties are often roughly 50% of domestic royalties.

Furthermore, the royalty itself typically does not tell the whole story, as it is common for textbook publishers to pay royalties based on their "net"—*i.e.*, the discounted price at which the publisher sells the book to a retailer or wholesaler, as opposed to the "list" price at which the book is sold to customers. LEVINE, *supra*, at 52 ("Textbook publishers, university presses, small presses and specialty publishers usually base their royalties on net."). Typically, textbook publishers offer book-sellers a discount in the neighborhood of 20%, although discounts of as much as 40-50% are commonplace within the publishing industry. *Id.* at 51.

Just as the royalties for international sales are reduced, textbooks sold internationally typically come at a significant discount below their price within the United States: often, a book's price on the international market is 50% less than the same book on the domestic market (although occasionally even steeper discounts apply). *See, e.g.*, GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS:

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scholarly presses offer royalty splits as low as 5 percent on the net for the first 1,000 copies sold, 7.5 percent on the next 1,500 copies, and 9.5 percent above that."); NATIONAL WRITERS UNION GUIDE TO FREELANCE RATES & STANDARD PRACTICE 93 (1995) (listing the then-prevalent range of royalties for textbook sales, escalating after the first 5,000 sales and then again after the next 5,000 sales). However, escalating royalty clauses are not the norm in textbook publishing.

ENHANCED OFFERINGS APPEAR TO DRIVE RECENT PRICE INCREASES 21 (July 2005) (hereinafter "GAO REPORT") ("[A] publisher may be able to profitably sell textbooks in one country at prices that are closer to actual costs of printing and distributing additional copies while charging higher prices in the United States that reflect the substantial development costs undertaken."); Christos Cabolis et al., *A Textbook Example of International Price Discrimination*, 95(1) Economic Letters 1-2 (Apr. 2007) ("The average hardcover textbook price is roughly 50% higher in the United States than in the United Kingdom (or anywhere else in the world) . . . ."); *Are College Textbooks Priced Fairly?, Hearing Before the Subcommittee on 21st Century Competitiveness of the H. Committee on Education and the Workforce*, 108th Cong. 15 (2004) (statement of Mark L. Fleischaker, Legal Counsel, National Association of College Stores) ("[T]extbooks are often sold overseas at a fraction of the cost they are sold [in] the United States. . . . [I]n many cases they are resold at no more than half the price [of textbooks sold in the United States.]"). These discounts are reflected in both the net and list prices of books sold on the international market.

Moreover, the royalties that authors receive for international sales are often further reduced when publishers rely on independent distributors in foreign markets; in such cases, the publisher's net receipts will be about half of the already-reduced amount received by the distributor. And it is the twice-reduced proceeds received by the publisher against which the halved royalty rate will be applied to determine the amount paid to the author. This reductive effect is at the heart of the economic harm

that gray-market sales impose upon authors, and exacerbates the injury to them caused by displaced domestic sales.

C. The gray market in textbooks undermines authors' efforts and diminishes incentives to produce new textbooks.

The emergence of the gray market in textbooks has substantially injured the authors of those texts. While authoring a textbook has never been viewed as a road to instant riches, the gray market ensures that any gain authors realize from their efforts will be substantially diminished. Moreover, the harm from gray-market sales is increasing as the Internet and easy international shipping make it simple for people in the United States to both find and resell foreign editions of books. If domestic publishers and authors are to be powerless to block unauthorized importation of books intended and authorized for sale exclusively in foreign markets, then arbitrageurs will intervene, in increasing numbers, to exploit the resulting price differential.

As discussed above, textbooks authors receive markedly less compensation for an international sale than for a domestic sale. The problem is then exacerbated when the international sales supplant domestic ones through the gray market. Specifically, when the internationally-purchased books are imported into the United States and sold on the used-book market, they replace what would have been sales of new, domestic books. (Authors, of course, do not receive royalties for the sale of used books.) Although authors are accustomed to the realities of the used-book market, the presence of gray-market books on that market poses a unique problem, as

those books often are not actually used at all, but instead are new copies being resold to take advantage of the foreign-domestic pricing disparity. Moreover, when a domestic used book is resold, the author at least received the larger domestic royalty when the book was first sold; for foreign copies imported for domestic resale, the only royalty the author received was the already-reduced royalty applicable to the foreign sale. And because a used book can be resold on numerous occasions, the economic impact of a gray-market sale can continue to be felt for several years. This disproportionate swelling of the used-book market has a significant impact on textbook authors. For example, one author explained to the TAA that the importation of an international version of his textbook had "'amounted . . . to thousands of U.S. copies being returned from bookstores, as the students opt to buy the international versions from the Internet.'" *TAA Debunks Myths*, at 5.

Faced with the significant harm from gray-market sales, the TAA fears that it is becoming increasingly likely that publishers will alter the manner in which they produce and sell textbooks in foreign markets, and that any such alterations will affect authors. Most glaringly, the TAA and its members worry that publishers will reach a point at which they simply cease making textbooks available in foreign markets. Such a shift would have the immediate effect of depriving foreign students of high-quality educational resources—a prospect TAA members would lament, as many authors appreciate the opportunity to have a role in educating students outside of the United States. Cutting off foreign markets would also, of course, have a significant financial impact on publishers. The TAA's concern is

that the loss of a large stream of revenue would force publishers to alter both the product that they sell and the terms of their relationships with authors. Domestic royalties—a matter on which authors have little, if any, real leverage—could fall, lessening the financial motive for authors to invest the time and effort required to produce new educational resources. The TAA also is concerned that the gray market will lead publishers—in light of their reduced revenue—to reduce their expenditures on the thorough research and development of new and needed texts. The ultimate result of such a change would be a diminution in the quality of the textbooks that publishers and authors are jointly able to put on the market.

In sum, there is no rational justification for the inefficient, unfair transfer of income from the authors who spend years writing a textbook to a person who spends a few minutes reselling the text after it is shipped into the United States.

II. BECAUSE THE COPYRIGHT ACT DOES NOT APPLY EXTRATERRITORIALLY, TEXTBOOKS MANUFACTURED AND SOLD IN A FOREIGN COUNTRY ARE NOT "MADE UNDER THIS TITLE," AND THUS NOT SUBJECT TO THE FIRST-SALE DEFENSE.

A. Copies are "made under this title" only if they constitute domestic applications of the Copyright Act.

The first-sale defense of 17 U.S.C. § 109 applies only to copies "lawfully made under this title," and the phrase "made under this title" means made in a manner that is covered by the Copyright Act. As Respondent explains, the only logical interpretation

of "under this title"—and the only interpretation that fits with this Court's holding in *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998)—is that it means copies made "pursuant to" the Copyright Act. *See* Resp. Br. at 15-20.

In addition to the rationale offered by Respondent, another way of looking at the issue is to focus on the word "lawfully" in the phrase "copies lawfully made under this title." There is no dispute that this phrase is intended to exclude copies *unlawfully* made under the Copyright Act. But a copy can be unlawfully made under the Copyright Act only if it is actually subject to the Copyright Act, for example if the copy is made without the copyright owner's authorization. More generally, a copy can only be lawfully or unlawfully made under the Copyright Act if it is actually covered by the Copyright Act in the first place. *See Quality King*, 523 U.S. at 147 ("[Section] 602(a) applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country.").

Petitioner does not dispute Respondent's interpretation, and actually adopts a very similar interpretation of the operative language in Section 109. "Under Petitioner's reading, a copy is 'lawfully made under this title'—and the seller enjoys the benefit of the first-sale defense—if the copy was made 'in accordance with the Copyright Act.'" Pet. Br. at 24; *see also id.* at 26 (also using the definition "made 'in compliance with' . . . the statute"). Of course, a copy cannot be made "in accordance with" the

Copyright Act if it is not subject to the Copyright Act. The distinction between Petitioner's and Respondent's view, therefore, largely concerns what is actually covered by the statute.

It is well established that the Copyright Act does not apply extraterritorially. *See United Dictionary Co.*, 208 U.S. 260; 4 Nimmer on Copyright § 17.02, at 17-18 (2009) ("[C]opyright laws do not have any extraterritorial operation."). This rule adheres to the "long-standing principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (hereinafter "*Aramco*") (quoting *Foley Bros., Inc. v. Filardo,* 336 U.S. 281, 285 (1949)); *see also Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2878 (2010) ("When a statute gives no clear indication of an extraterritorial application, it has none."). Thus, the Copyright Act covers only domestic, not extraterritorial, applications of the statute.[4] Once again, Petitioner does not dispute this principle. *See* Pet. Br. at 47-48. The question, then, is what constitutes a domestic or extraterritorial application of the Copyright Act.

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[4] This rule is also consistent with the Berne Convention. *See* Berne Convention for the Protection of Literary and Artistic Works, art. V (Sept. 28, 1979) ("Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals . . . . The enjoyment and the exercise of these rights . . . shall be independent of the existence of protection in the country of origin of the work.").

B. The manufacture of a book in a foreign country for sale in a foreign country is beyond the domestic scope of the Copyright Act.

Over one hundred years ago, this Court recognized that the Copyright Act does not cover the manufacture and sale of a book in a foreign country. In *United Dictionary*, an American corporation "made a contract with English publishers, under which it furnished them with electrotype plates of [a dictionary], and they published it in England, omitting notice of the American copyright." 208 U.S. at 263. While the English publishers agreed not to sell any copies in the United States, the United Dictionary Company "sent for the English book with intent to reprint it, and was about to publish it when restrained." *Id.* The question presented was whether the American publisher's omission of an American copyright notice in the English edition destroyed its rights (because a copyright notice was then required under the Copyright Act). *Id.* at 263-64. This Court held that the American publisher's copyright remained in force because the Copyright Act "does not require notice of the American copyright on books *published abroad and sold only for use there*." *Id.* at 266 (emphasis added). The Court reasoned that "it [is] unlikely that [Congress] would require a warning to the public against the infraction of a law beyond the jurisdiction where that law was in force." *Id.* at 264. Thus, this Court recognized that the Copyright Act is not "in force" where books are published abroad for sale abroad. To be sure, the copyright statute has undergone substantial changes since *United Dictionary* (with major overhauls in 1909 and 1976), but there have been no changes even remotely

relevant to the question of whether the territorial scope of copyright law extends to foreign-made and foreign-sold books.

Basic principles of extraterritoriality confirm this result. In determining what qualifies as a valid territorial application, the Court looks to the "focus" of the statute at issue. For example, Section 10(b) of the Securities Exchange Act, which governs "purchases and sale of securities," applies only to purchases or sales "made in the United States." *See Morrison*, 130 S. Ct. at 2883-86. Similarly, in *Aramco*, the Court held that Title VII does not apply "extraterritorially to regulate the employment practices of United States employers who employ United States citizens abroad." 499 U.S. at 246; *see also Morrison*, 130 S. Ct. at 2884 ("In *Aramco*, for example, the Title VII plaintiff had been hired in Houston, and was an American citizen," yet "neither that territorial event nor that relationship was the 'focus' of congressional concern, but rather domestic employment." (internal citation omitted)).

For the Copyright Act provisions governing the making of copies, the focus is plainly on infringement. Specifically, Section 106 describes the copyright owner's "exclusive rights . . . to reproduce the copyrighted work in copies" or "to distribute copies . . . to the public by sale"; Sections 107-122 describe instances where copies do and do not infringe the owner's copyright; and Section 501 describes the cause of action that can be brought against an infringer. In sum, the Copyright Act sections on copies are focused on the prevention of infringing copies, which means that the territorial

scope of those provisions extends only to domestic infringement.

Copies manufactured and sold abroad do not give rise to domestic infringement. This conclusion necessarily follows from the fact that all of the conduct relevant to infringement (*i.e.*, manufacture and sale) occurs abroad. *See* 4 Nimmer on Copyright § 17.02 (stating that "[p]urely extraterritorial conduct . . . is itself nonactionable" in American courts). Furthermore, courts and the leading treatise agree that foreign-made and foreign-sold copies do not create a cause of action for infringement under U.S. law. *See, e.g., Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 91 (2d Cir. 1998) (holding that the law of the country where the alleged infringement occurred governs the determination of whether the infringement has in fact occurred); 4 Nimmer on Copyright § 17.02 ("For the most part, acts of infringement that occur outside of the jurisdiction of the United States are not actionable under the United States Copyright Act."). Simply put, there is no domestic conduct at all in the making of copies abroad for sale abroad, and so the Copyright Act would apply only if it had an extraterritorial reach—which it does not. *See, e.g., American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909), *overruled on other grounds, Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 704-05 (1962) (describing the "general and almost universal rule . . . that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done"); *Subafilms, Ltd. v. MGM-Pathe Commc'ns, Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994) (en banc) ("United States

copyright laws do not reach acts of infringement that take place entirely abroad.").

Petitioner's argument goes astray by pointing to the territorial scope of the provisions governing works, not copies. Petitioner notes that Wiley is a U.S. company and reasons that "[b]ecause the books were first published in the U.S., *see* S.A. 1-17, the Copyright Act, therefore, defines them as 'United States work[s].'" Pet. Br. at 23 (quoting 17 U.S.C. § 101); *see also id.* at 48 ("Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resident who was in the U.S. when he committed the purportedly infringing acts."). That is true, but irrelevant to the question whether "copies"—not the work itself—are "made under this title." 17 U.S.C. § 109(a); *see also Subafilms*, 24 F.3d at 1097 ("[T]he applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national or in which the work was first published") (quoting 3 David Nimmer & Melville B. Nimmer, Nimmer on Copyright § 17.05, at 17-39 (1991)).

Moreover, Petitioner errs in arguing that "[w]hen the conduct to be evaluated under the statute affects the United States and is being adjudicated in the United States, then by definition the presumption against extraterritoriality is irrelevant to the question of construction." Pet. Br. at 47-48. This Court has clearly rejected an effects-based test for extraterritoriality, *see Morrison*, 130 S. Ct. at 2879-80, and the presence of a case in a United States court obviously does not decide the scope of United States law. While Petitioner contends that *Quality*

King supports his position, *see* Pet. Br. at 47, in reality the Court there simply stated that the Copyright Act applies to a first sale abroad for "goods lawfully made under the Act." *Quality King*, 523 U.S. at 145 n.14. And in a situation where a foreign publisher is granted exclusive foreign distribution rights, "presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a)." *Id.* at 148.

While the extraterritorial nature of the making of copies in this case is clear, it is worth exploring the boundaries of extraterritoriality more generally—especially since doing so demonstrates that Petitioner's slippery-slope concerns are unfounded. Courts have recognized that copyright law applies to extraterritorial conduct that actively induces or contributes to infringement occurring within the United States. *See, e.g., Cable/Home Commc'n Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845-46 (11th Cir. 1990); *Metzke v. May Dept. Stores Co.*, 878 F. Supp. 756, 760-61 (W.D. Pa. 1995); *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772-73 (W.D.N.Y. 1991). Moreover, a copyright plaintiff may recover a defendant's extraterritorial profits if they are derived from infringing acts within the United States. *See, e.g., Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940); *Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345, 1351-52 (N.D. Cal. 1987). And at least one court has expressly held that the Copyright Act applies to U.S. distribution of a publication printed in Italy, but not to Italian distribution of that publication. *See Shaw*

v. Rizzoli Int'l Publ'ns, Inc., No. 96 Civ. 4259, 1999 WL 160084, at *3-*5 (S.D.N.Y. Mar. 23, 1999).

Thus, there may be instances where copies are "made under this title" even where manufactured abroad, if there is domestic conduct that constitutes domestic infringement. And Respondent's position does not necessarily lead to the result that Petitioner fears, where books manufactured abroad for sale in the United States can never be resold. In any event, there is no need for the Court to decide these issues here, where extraterritoriality is clear.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals for the Second Circuit should be affirmed.

Respectfully submitted,

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AMICUS CURIAE BRIEF

RECORD
AND
BRIEFS

No. 11-697

In the
Supreme Court of the United States

SUPAP KIRTSAENG d/b/a Bluechristine99,
PETITIONER,

v.

JOHN WILEY & SONS, INC.,
RESPONDENT.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF 25 INTELLECTUAL PROPERTY LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE*[1]

Amici are 25 full-time legal academics who teach and write about intellectual property law. A complete list of individual *amici* is attached as Appendix A. *Amici* submit this brief to explain the broader context in which Congress enacted 17 U.S.C. § 109(a), in hopes of informing the sound and consistent development of intellectual property law.

SUMMARY OF ARGUMENT

The first sale doctrine has long provided that legitimate owners of non-infringing copies of copyrighted works may use and sell their copies as they see fit — just as all property owners may generally use and alienate their property. In keeping with that rationale, the doctrine traditionally applied to all works made and sold by the copyright holder or its licensee, regardless of the place of the manufacture or the first sale of a particular copy. The Second Circuit's contrary holding — that 17 U.S.C. § 109(a) categorically bars application of the first sale doctrine to foreign-made goods — runs contrary to the statutory context in which § 109(a) appears, the common-law backdrop against which Congress legislated, and analogous principles of patent law as well.

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[1] The parties have consented to the filing of this brief. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amici* and their counsel, made a monetary contribution to the preparation or submission of this brief.

As the Second Circuit acknowledged, however, the text of § 109(a) does not clearly require such a departure from background norms; to the contrary, the text is hopelessly ambiguous. Nor does the legislative history express any intent to reject settled doctrine. Under fundamental canons of statutory construction, therefore, context is king, and this Court should construe § 109(a) in keeping with its broader statutory and historical context.

I. The structure of the Copyright Act demonstrates that the ambiguous phrase "lawfully made under this title" in § 109(a) does not mean "made in the United States," as the court of appeals concluded. Because other provisions of the Copyright Act use that phrase to include items made abroad, the Second Circuit's interpretation would render the Act internally inconsistent. Congress has also demonstrated that it knows perfectly well how to adopt a place-of-manufacture requirement in the Act when it desires to do so, making it inappropriate to imply such a limitation.

II. If the statutory text and structure do not compel a geographically neutral reading of "lawfully made under this title," they certainly do not preclude it. The canon that Congress "is understood to legislate against a background of common-law ... principles" is therefore essential to understanding Congress's intent. *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).

A. The first sale doctrine did not suddenly spring into being by an Act of Congress. Courts in the nineteenth and early twentieth centuries — both before and after this Court endorsed and applied the

first sale doctrine in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908) — consistently held that the statutory copyright grant did not constrain the customary rights of legitimate owners of non-infringing copies to use and sell those copies. These courts followed the common law's longstanding rejection of sellers' attempts to impose restraints on buyers' ability to alienate their property. And none of them attached any significance to the place where the copy was manufactured or first sold.

B. There is no indication, much less a clear one, that Congress intended to reject this settled law and authorize restraints on alienation of copyrighted works depending on their place of manufacture. Congress first recognized the first sale doctrine in § 41 of the Copyright Act of 1909 — a provision that all agree was geographically neutral. And the House Report explained that § 41 was not intended to change existing law in any way.

The language Congress used to reflect the first sale doctrine did not change until 1976, when Congress adopted the current § 109(a) containing the disputed phrase "lawfully made under this title." Once again, the committee reports made clear that Congress understood § 109(a) to "restate[] and confirm[]" the traditional first sale doctrine. H.R. Rep. No. 94-1476, at 79 (1976); S. Rep. No. 94-473, at 71 (1975).

III. Although the first sale doctrine in copyright law and the similar doctrine of patent exhaustion may not be identical, traditional patent law further confirms the legal backdrop prevailing at the time of § 109(a)'s enactment. A number of early decisions

apply the patent exhaustion doctrine to imported goods. This Court's recent decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), likewise applied the common-law principle of patent exhaustion to products that were manufactured and sold outside the United States. These traditional principles of patent law provide further support for the conclusion that the legal backdrop against which Congress enacted § 109(a) was well settled, such that Congress would have had to speak clearly to depart from it.

ARGUMENT

Congress's addition of the words "lawfully made under this title" to § 109(a) did not render the longstanding first sale doctrine inapplicable to all copies manufactured abroad. Those five words are by no means self-defining in this context, a proposition the court of appeals readily accepted. Thus, where one ends up has a fair amount to do with where one begins. And the place to begin is the context in which Congress acted.

Both the structure of the Copyright Act and the history of the first sale doctrine confirm that Congress did not intend to break from traditional principles of law, discriminate against goods made abroad, and thereby produce no end of absurd and untenable results for ordinary consumers of imported goods (who may not even know or have any way of reasonably knowing where a copy was made or first sold).

I. APPLICATION OF THE FIRST SALE DOCTRINE TO FOREIGN-MADE COPIES IS CONSISTENT WITH THE TEXT OF § 109(a) AND COMPELLED BY THE STRUCTURE OF THE COPYRIGHT ACT.

The court of appeals recognized that, in isolation, the phrase "lawfully made under this title" in § 109(a) could reasonably mean either "subject to protection under" the Act or "lawfully made under [the Act] had [it] been applicable." Pet. App. 23a–24a. Under either of those textually permissible readings, § 109(a) would apply to copies manufactured and sold abroad and then distributed in the United States. *Id.* at 24a n.38. The court, however, rejected both of those readings and held that the phrase excludes "foreign-manufactured works." *Id.* at 28a.

The court of appeals misunderstood the statutory context. Of course, "[s]tatutory construction ... is a holistic endeavor" and a "provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme." *United Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371 (1988).

Significantly, the phrase "lawfully made under this title" appears in other provisions of the Copyright Act where it is clear that no exclusion of foreign-made copies is intended. For example, the Act provides for royalty payments to authors of musical works that have been embodied in audio recordings "lawfully made under this title." 17 U.S.C. § 1006(a)(1)(A); *see id.* § 1001(7)(A)–(B).

There is no reason to believe that Congress intended to deny royalties to artists whose U.S.-copyrighted works were distributed on CDs that were manufactured abroad.

Even within § 109, interpreting "lawfully made under this title" to mean "made in the United States" would lead to results inconsistent with existing law and legislative intent. Section 109(c) limits the exclusive right to publicly display copyrighted works by allowing "the owner of a particular copy lawfully made under this title ... to display that copy publicly ... to viewers present at the place where the copy is located." If the court of appeals' interpretation were to stand, museums and galleries across the country would be forced to negotiate copyright licenses to display foreign-made works they have purchased. That result is inconsistent with settled expectations and precedent. *See Hoepker v. Kruger*, 200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (applying § 109(c) to a photograph made in Germany).

Even more tellingly, § 109(e) permits "the owner of a particular copy of [a coin-operated video game] lawfully made under this title ... to publicly perform or display that game." This provision was enacted to overrule the Fourth Circuit's contrary conclusion in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.9 (9th Cir. 1994). Since the games at issue in *Red Baron* were manufactured in Japan, Congress could not have intended "lawfully made under this title" to function as a geographic limitation; if it did, the

statute would have failed to overrule the very decision that prompted its enactment.

Under the "normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning," these provisions constitute "compelling evidence" in favor of a geographically neutral reading of the same phrase in § 109(a). *Comm'r v. Lundy*, 516 U.S. 235, 249–50 (1996) (quoting *Sullivan v. Stroop*, 496 U.S. 478, 484 (1990)); *see also, e.g.*, *Sorenson v. Sec'y of the Treasury*, 475 U.S. 851, 860 (1986).

Moreover, interpreting "lawfully made under this title" in § 109(a) to mean "made in the United States" would be inconsistent with the Copyright Act's general approach of affording protection "under this title" to many works authored and located abroad. Section 104 of the Act states that "protection under this title" extends to, among other things, unpublished works anywhere in the world; works first published in any of the numerous countries that are co-signatories with the United States to any copyright treaty; and works published in non-signatory countries but authored by a person domiciled in a signatory country. *See* 17 U.S.C. §§ 101, 104(a)–(b). Respondent's suggestion that even though foreign works are "protected under" the Copyright Act, copies of them manufactured abroad nonetheless are not "made under" the Act, is a fanciful distinction that slices the Act's terminology far too thin.

Other provisions of the Copyright Act demonstrate that "[w]hen Congress considered the place of manufacture to be important," it adopted

"statutory language [that] clearly expresses that concern." *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988). *See, e.g.*, 17 U.S.C. § 601(a) (2006) (prohibiting importation of copies of literary works not "manufactured in the United States or Canada"), *repealed*, 124 Stat. 3180 (2010); *id.* § 104(b)(2) (protecting works "first published in the United States or in [certain] foreign nation[s]"). Where Congress uses "express" language in one statutory provision, this Court regards "the absence of such language" in other provisions as highly significant. *Astrue v. Ratliff*, 130 S. Ct. 2521, 2527–28 (2010); *see also, e.g., Hardt v. Reliance Standard Life Ins. Co.*, 130 S. Ct. 2149, 2156 (2010); *Omni Capital Int'l v. Rudolf Wolff & Co.*, 484 U.S. 97, 106 (1987).

Neglecting this powerful structural evidence of § 109(a)'s meaning, the court of appeals relied entirely on its concern that applying the first sale doctrine to copies made abroad would unduly intrude on a copyright holder's exclusive right to import copies of its work, which is protected by § 602(a). That concern was not justified because § 109(a) trumps § 602(a), and construing § 109(a) consistent with its context does not make § 602(a) surplusage.

As respondent has acknowledged, it is settled law that the importation restriction in § 602(a) is subject to, and limited by, the first sale doctrine embodied in § 109(a). *See* Br. in Opp. 4. In *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135 (1998), this Court squarely confronted the question "whether the right granted by § 602(a)" is "limited by §§ 107 through 120" — including § 109(a) — which limit the scope of

the copyright holder's exclusive distribution right under § 106(3). 523 U.S. at 138. This Court answered that question in the affirmative. Because § 602(a) "merely provides that unauthorized importation is an infringement of an exclusive right 'under section 106,'" it is "simply inapplicable" in cases where a limitation on the exclusive right applies. 523 U.S. at 145. Otherwise, absurd results would follow. For example, "[i]f § 602(a) functioned independently, ... the 'fair use' defense embodied in § 107 would be unavailable to importers" — a result that Congress could not possibly have intended "[g]iven the importance of the fair use defense to publishers of scholarly works, as well as to publishers of periodicals." 532 U.S. at 150–51.

Nor does a geographically neutral reading of § 109(a) make § 602(a) surplusage. At a minimum, § 602(a) applies to copies made without the copyright holder's authorization, 532 U.S. at 146, copies distributed by a non-owner, *id.* at 146–47, and copies shipped to the United States by the foreign manufacturer without any prior "first sale," *see* Oral Arg. Tr. at 26, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423) (Breyer, J.).

II. THE COMMON-LAW ORIGINS OF THE FIRST SALE DOCTRINE REQUIRE A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).

If these structural considerations do not compel a geographically neutral reading of "lawfully made under this title" in § 109(a), they at least confirm that the statute is reasonably susceptible to that interpretation. That makes the traditional common-

law rule dispositive, because "when a statute covers an issue previously governed by the common law, we interpret the statute with the presumption that Congress intended to retain the substance of the common law." *Samantar v. Yousuf*, 130 S. Ct. 2278, 2289 n.13 (2010); *see also Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2245–46 (2011); *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952). Where the courts have already spoken, "Congress does not write upon a clean slate," and if it is to "abrogate a common-law principle," the statute "must speak directly to the question." *United States v. Texas*, 507 U.S. 529, 534 (1993) (internal quotation marks omitted).

The common law is important here for a second reason: Even if § 109(a) itself did not mandate application of the first sale doctrine to foreign-manufactured copies, the common-law first sale doctrine would nonetheless act as a background limitation on the scope of the exclusive right to distribute copies granted by § 106. As this Court recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908), the scope of the underlying right itself is not unlimited; instead, it is defined in part by tradition. As a result, the exclusive distribution right would not extend to subsequent sales of lawfully made copies even if Congress had never enacted § 109(a) (which, indeed, is part of the holding of *Bobbs-Merrill*, which predated that statute and its predecessors).

The common law is especially important here because it reflects the fundamental balance underlying the intellectual property laws, as confirmed by more than a century of judicial analysis

and experience. Under the common-law principles discussed below, a copyright holder who transfers title to a copy is powerless to restrain further distribution of that particular copy. This rule balances two competing personal interests — the intellectual property interest of the copyright owner and the personal property interest of the owner of a particular copy. And it also balances two competing societal interests — the interest in promoting works of authorship by rewarding authors, and the interest in promoting free trade and commerce by avoiding restraints on the alienation of property.

A first sale doctrine that discriminates against personal property interests on the basis of the geographic origin and place of first sale of the particular copy at issue — and thus permits copyright holders to double-dip, by selling a copy once and then also imposing severe restraints on downstream alienation of and trade in legitimate, lawfully acquired copies — would be inconsistent with the common-law background against which Congress has legislated for more than a century. And as petitioner explains, it would produce a number of absurd results — with astonishing consequences for the rights of millions of Americans who purchase imported goods. *See* Pet'r Br. 56–58.

Especially in this circumstance, the common law must control absent a very clear contrary statement from Congress, of which there is none. *See Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 467–68 (2001) ("Congress ... does not alter the fundamental details of a regulatory scheme in vague terms ... it does not, one might say, hide elephants in mouseholes.").

A. The First Sale Doctrine Has Never Turned On The Geographic Origin Of The Particular Copies At Issue.

As both the courts and the Congress have acknowledged, the first sale doctrine "finds its origins in the common law aversion to limiting the alienation of personal property." *Sebastian*, 847 F.2d at 1096; *accord* H.R. Rep. No. 98-987, at 2 (1984); Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. Rev. 889, 909–14, 929–31 (2011). Courts have long resisted limitations on downstream use and resale of personal property on the ground that "they offend against the ordinary and usual freedom of traffic in chattels." *John D. Park & Sons Co. v. Hartman*, 153 F. 24, 39 (6th Cir. 1907). Such restraints on alienation are inconsistent with "the essential incidents of a right of general property in movables, and ... obnoxious to public policy, which is best subserved by great freedom of traffic in such things as pass from hand to hand." *Id.*

This geographically neutral principle, which does not depend in any way on the place of manufacture, was not new in 1823, when Chief Justice Marshall declared that "[i]t would seem to be a consequence of that absolute power which a man possesses over his own property, that he may make any disposition of it which does not interfere with the existing rights of others." *Sexton v. Wheaton*, 21 U.S. 229, 242 (1823). Although a handful of English courts flirted with servitudes on chattels in the mid-nineteenth century, *see, e.g.*, *De Mattos v. Gibson*, 45 Eng. Rep. 108, 110 (1859), those flirtations were short-lived, and the traditional rule precluding such

restraints on alienation ultimately prevailed. *See Taddy & Co. v. Sterious & Co.*, [1904] 1 Ch. 354 (rejecting manufacturer's effort to enforce minimum prices printed on tobacco packets); *McGruther v. Pitcher*, [1904] 2 Ch. 306 (third party permitted to sell rubber heels below the price stipulated on packaging). In the United States, similar efforts to impose equitable servitudes on chattels, including copyrighted and patented articles, were "effectually killed by the courts." Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 Harv. L. Rev. 945, 954–56 (1928). The emergence of the first sale doctrine reflected this deep aversion to impeding the free flow of goods in the stream of commerce.

Courts responded to these concerns by limiting the scope of the copyright grant. A dispute over Mark Twain's *Huckleberry Finn* was among the earliest in this line of cases. In *Clemens v. Estes*, 22 F. 899 (C.C.D. Mass. 1885), plaintiff transferred title to copies of his book to distributors who agreed to sell copies only on a subscription basis for a fixed price. Although the distributors breached their agreement by selling to booksellers below the minimum fixed price, the court refused to enjoin further retail sales, reasoning that "defendants had a right to buy, or contract to buy, books from agents who lawfully obtained them by purchase from the plaintiff or his publishers." *Id.* at 901.

In contrast, the court in *Henry Bill Publ'g Co. v. Smythe*, 27 F. 914 (C.C.S.D. Ohio 1886), enjoined the sale of books where the copyright holder's agents, to whom no first sale had been made and title had not passed, delivered copies to booksellers rather than subscribers. The *Henry Bill* court recognized that

the outcome would have been different had there been an authorized transfer of title in the copies, stating that "[i]nseparably with the transfer of the title in any copy of the work must go the right of alienation." *Id.* at 923. "Whenever [the copyright holder] parts with that ownership, the ordinary incident of alienation attaches to the particular copy parted with, in favor of the transferee, and he cannot be deprived of it. This latter incident supersedes the other, — swallows it up, so to speak ...." *Id.* at 925.

By the turn of the century, therefore, it was settled law that "the right to restrain the sale of a particular copy ... has gone when the owner of the copyright and of that copy has parted with all his title to it." *Harrison v. Maynard, Merrill & Co.*, 61 F. 689, 691 (2d Cir. 1894); *accord Doan v. Am. Book Co.*, 105 F. 772, 776 (7th Cir. 1901); *Kipling v. G.P. Putnam's Sons*, 120 F. 631, 634 (2d Cir. 1903). Indeed, the location of manufacture and first sale of a particular copy was so irrelevant to the common law that some decisions do not even mention it.

When this Court first had occasion to apply the first sale doctrine in *Bobbs-Merrill* — decades after *Clemens* and *Henry Bill* — it construed the Copyright Act in accordance with this existing common law. The question, according to the Court, was whether the Copyright Act "permit[ted] ... a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it." 210 U.S. at 349–350. Noting that "[t]he owner of the copyright in this case did sell copies of the book in quantities and at a price satisfactory to

it," this Court held that the copyright holder's exclusive right to control the distribution of those copies had been exhausted and that a further right "to control all future retail sales" of those copies was beyond the scope of the copyright grant. *Id.* at 351; *see also id.* at 349-50 ("one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it").

The core principle that emerges from these early cases and defines the first sale doctrine is that transfer of title to a copy by the copyright holder or an authorized licensee exhausts the exclusive right to control distribution of that copy — a principle that does not depend in any way on the place a copy was made and first sold. In other words, United States law treats a copy made and first sold abroad like any other copy.

The Second Circuit explained that geographically neutral principle, in the course of summarizing this settled law, as follows:

> [T]he courts have formulated the pivotal question as whether lawful ownership of the copyrighted object has been transferred to a first purchaser; whether the proprietor had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it; or whether the object has been sold by authority of the owner of the copyright.

Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847, 852 (2d Cir. 1963) (internal quotation marks and citations omitted).

B. Congress Did Not Intend § 109(a) Or Its Statutory Predecessors To Displace Existing Law.

This Court has already determined that "[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope." *Quality King*, 523 U.S. at 152. Instead, the statutory history confirms that Congress endorsed the broad reasoning of *Bobbs-Merrill* and earlier cases.

Section 41 of the Copyright Act of 1909 provided, in geographically neutral terms, that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of *any copy* of a copyrighted work the possession of which has been lawfully obtained." Ch. 320, § 41, 35 Stat. 1075, 1084 (emphasis added). As the House Report explained, § 41 was "not intended to change in any way existing law" but "to make it clear that there is no intention to enlarge in any way the construction to be given to the word 'vend'" because Congress deemed it "most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale." H.R. Rep. No. 60-2222, at 19 (1909). The Copyright Act was amended in 1947, moving the statutory acknowledgement of the first sale doctrine to § 27 but leaving its language unchanged. Pub. L. No. 80-281, § 27, 61 Stat. 652, 660 (1947).

The Copyright Act of 1976 introduced the current formulation of the first sale doctrine. Congress was careful to emphasize that the rewording did not disturb the scope or operation of

the law as "established by the court decisions and section 27 of the present law." H.R. Rep. No. 94-1476, at 79 (1976); S. Rep. No. 94-473, at 71 (1975). Section 109(a) merely "restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. Rep. No. 94-1476, at 79; S. Rep. No. 94-473, at 71. Thus, "the outright sale of an authorized copy of a book frees it from any copyright control over its resale price or other conditions of its future disposition." H.R. Rep. No. 94-1476, at 79; S. Rep. No. 94-473, at 71.

If Congress had intended to "place the important limitation" on the scope of the first sale doctrine that respondent suggests, one "would expect to find some expression of that intent in the legislative history." *Am. Hosp. Ass'n v. NLRB*, 499 U.S. 606, 613–14 (1991); *see also Finley v. United States*, 490 U.S. 545, 554 (1989). There is none. The discussion of § 109(a) in the House and Senate Reports accompanying the 1976 Act makes no mention of place of manufacture. It in no way suggests that copies made outside of the territorial borders of the United States are subject to ongoing copyright-holder control over distribution despite a transfer of title. Instead, these reports speak in the broad and unequivocal language of the 1909 Act and the cases that preceded it.

Indeed, the wording changes in § 109(a) reflect and reinforce the bedrock common-law doctrine. By limiting the defense to copies "lawfully made under

this title," § 109(a) ensures that title to the copy in question originated with the copyright holder or its licensee.[2] And by extending the defense only to "the owner of a particular copy," the statute ensures that title to the copy passed to the individual asserting a first sale defense.

While the statutory formulation has changed slightly over the decades, these basic requirements — that the copyright holder or its licensee made the copy, and that title over the copy passed to the defendant — have stood as the key limits on the first sale doctrine since its inception. In context, therefore, the phrase "lawfully made under this title" reflects the courts' longstanding insistence that only those copies made by the copyright holder or its authorized agents are subject to the first sale doctrine. *See* Pet. App. 37a (Murtha, J., dissenting).

For most of the twentieth century, courts consistently interpreted § 109(a) and its statutory predecessors in line with the common-law rule and held that, under those provisions, any transfer of title from the copyright holder or a licensee resulted

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[2] Because the exclusive rights of the copyright holder include both the right to reproduce the work and the right to authorize others to do so, *see* 17 U.S.C. § 106, an authorized licensee's sale of a copy exhausts the distribution right in the same way as a sale by the copyright holder. *See, e.g., United States v. Wells*, 176 F. Supp. 630, 633-34 (S.D. Tex. 1959). For these purposes, licensees include not only those licensed by the copyright holder, but also those permitted to make copies under other provisions of the Copyright Act such as "the compulsory licensing provisions of section 115." H.R. Rep. No. 94-1476, at 79.

in an unequivocal exhaustion of the distribution right. None of these courts so much as suggested that Congress had altered the fundamental common-law rule by making it depend on where the copy was manufactured. *See, e.g., Indep. News Co. v. Williams*, 293 F.2d 510, 517 (3d Cir. 1961) ("once there is lawful ownership transferred to a first purchaser, the copyright holder's power of control in the sale of the copy ceases [and] the rights conferred by the Copyright Act are no longer operative"); *United States v. Wells*, 176 F. Supp. 630, 633–34 (S.D. Tex. 1959); *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); *C.M. Paula Co. v. Logan*, 355 F. Supp. 189, 191 (N.D. Tex. 1973); *United States v. Bily*, 406 F. Supp. 726, 732 (E.D. Pa. 1975).

It is only relatively recently that some courts have begun to interpret § 109(a) as deviating from the common law. This interpretation dates to 1983, when a district court relied on vague concerns over extraterritoriality to hold that § 109(a) transformed the traditional first sale doctrine by making it inapplicable to copies manufactured abroad. *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983). As this Court has already determined, however, there is no extraterritoriality concern here because any liability under United States law would depend on acts occurring in the United States (such as importation and sale), and foreign law would continue to govern liability for acts abroad (such as manufacture and sale). *See Quality King*, 523 U.S. at 145 n.14. None of the courts that have interpreted § 109(a) to exclude foreign-made copies,

including the court of appeals below, has adequately examined the long and extensive doctrinal backdrop against which Congress legislated or the legislative history demonstrating that Congress did not intend to disturb the common law in this area.

The court of appeals' reliance on this Court's decision in *Quality King* is likewise misplaced. *Dictum* in the Court's decision distinguished between "copies produced lawfully *under a foreign copyright*" and those based on a United States copyright. *Id.* at 147 (emphasis added); *see id.* at 147–48. But the Court nowhere suggested that the *place* of manufacture would make a difference when, as in this case, a United States copyright is asserted. Moreover, the *Quality King dictum* envisioned importation by the foreign publisher — that is, importation in the absence of a first sale — not importation by a third party after a sale. Thus, it need not be read to suggest that copies published and first sold abroad are not subject to the first sale doctrine after title is transferred.

To the contrary, the Court emphasized that "[t]he whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152. And that core principle does not depend on the places of manufacture and of first sale (places that, in many instances, may be unknown and realistically unknowable to many owners of resold works).

III. THE COMMON LAW OF PATENT EXHAUSTION UNDERSCORES THE NEED FOR A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).

The structure of the Copyright Act and the common-law backdrop provide the most important indicia of congressional intent in this case, and patent-law precedents are not controlling as to copyright doctrine. *See Bobbs-Merrill*, 210 U.S. at 346. Nonetheless, traditional patent law is informative, *see Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), especially considering that the history, scope, and extent of patent exhaustion under the common law inform the understanding of the background against which § 109 was enacted.

In this Court's first patent exhaustion case, Chief Justice Taney held that when a patented product "passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress." *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853). The Court later held that, notwithstanding an explicit post-sale restriction, a purchase of a patented machine "carrie[s] with it the right to the use of that machine so long as it [is] capable of use." *Adams v. Burke*, 84 U.S. 453, 455 (1873) (striking down a territorial restriction on the resale of patented goods); *see also* 2 Herbert Hovenkamp, et al., *IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* § 33.3b, at 33-20 (2d ed. 2010) (identifying *Adams* as the source of the "'first sale' or exhaustion doctrine").

These principles — the right to use and to alienate patented goods that have been lawfully distributed — are consistent with the early copyright exhaustion cases. Notably, patent courts have applied them equally to all goods without regard to their individual characteristics, geographic or otherwise. "[O]ne who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time *or place*." *See Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 666 (1895) (emphasis added).

In fact, several of the earliest patent decisions regarding importation of patented goods sold abroad applied the exhaustion doctrine to such goods, in geographically neutral fashion. For example, *Holiday v. Mattheson*, 24 F. 185 (C.C.S.D.N.Y. 1885), held that the original purchaser of a foreign good "acquire[s] the right of unrestricted ownership in the article he buys as against the [patentee], including, as an inseparable incident, the right to use and enjoy it, and to transfer his title to others." *Id.* at 186; *see also Dickerson v. Mattheson*, 57 F. 524, 527 (2d Cir. 1893); *Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp.*, 266 F. 71, 78–79 (2d Cir. 1920). English courts at the time followed the same rule. *See Betts v. Willmott*, (1870–71) L.R. 6 Ch. App. 239, 245 (applying patent exhaustion to goods sold in France, Belgium, and England).

Four years ago, this Court confirmed that exhaustion is based on the "longstanding principle that, when a patented item is 'once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee.'" *Quanta*

Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617, 630 (2008) (quoting *Adams*, 84 U.S. at 457) (alteration in original, emphasis omitted). The Court's formulation, in particular its use of the phrase "lawfully made," is strikingly similar to the language of § 109(a). And this Court applied the exhaustion doctrine in *Quanta* to products that had been manufactured and sold outside of the United States. *See* Joint Statement of Plaintiff LG Electronics Inc. and Defendants Q-Lity Computer Inc., *et al.* Regarding Decision by the United States Supreme Court at 1–2, *LG Elecs., Inc. v. Q-Lity Computer Inc.*, No. 01-2187 (N.D. Cal. June 17, 2008), ECF No. 1120. Although the Court's opinion does not identify the places of manufacture and first sale, the Court's apparent disinterest in them confirms that they are of little importance in the patent exhaustion context.

Moreover, *Quanta* cautioned that allowing exceptions to the exhaustion rule would permit rightsholders to execute an "end-run" around these important limiting principles. 553 U.S. at 630. Concerns about "end-runs" of the first sale doctrine are nothing new. In fact, they have been part and parcel of patent exhaustion for almost a century. *See United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942).[3] Permitting copyright holders or their

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[3] A few years before *Quanta*, and a quarter-century after Congress enacted § 109(a), the Federal Circuit held that "United States patent rights are not exhausted by products of foreign provenance" or by first sales occurring abroad. *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1105 (Fed. Cir. 2001). Regardless of the merits of that decision, the intent of the Congress that enacted § 109(a) is informed by the

licensees to thwart traditional exhaustion doctrine by manufacturing copies abroad before importing them into the United States would invite a massive end-run.

Thus, rather than focusing on the specific details of a particular transaction, exhaustion principles focus on the constitutional purpose of patents and copyrights. *Id.* A "monopoly is no longer needed" to protect a patented or copyrighted article once "the owner has received the desired compensation" from selling that article; in that circumstance, "[t]he first sale doctrine ensures that the [intellectual property] monopoly does not intrude on the personal property rights of the individual owner, given that the law generally disfavors restraints of trade and restraints

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traditional, geographically neutral patent exhaustion doctrine, not the Federal Circuit's subsequent innovation.

Moreover, the Federal Circuit erred by departing from traditional principles based in large part on its observation that "the United States patent system does not provide for extraterritorial effect." *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1376 (Fed. Cir. 2005). As noted above, this Court dismissed a virtually identical extraterritoriality argument in *Quality King*. *See* 523 U.S. at 145 n.14. Especially after *Quanta*, the *Jazz Photo* doctrine is no longer good law, as at least one court has recognized. *See LG Elecs., Inc. v. Hitachi, Ltd.*, 655 F. Supp. 2d 1036, 1046–47 (N.D. Cal. 2009). Even the Federal Circuit's views are now unclear. One panel insisted that the *Jazz Photo* rule survives *Quanta*, *see Fujifilm Corp. v. Benun*, 605 F.3d 1366, 1371–72 (Fed. Cir. 2010), but two subsequent panel decisions applied patent exhaustion to imported goods manufactured and first sold abroad. *See Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1307 (Fed. Cir. 2011); *Tessera, Inc. v. Int'l Trade Comm'n*, 646 F.3d 1357, 1369–70 (Fed. Cir. 2011).

on alienation." *Brilliance Audio, Inc. v. Haights Cross Commc'ns, Inc.*, 474 F.3d 365, 373-374 (6th Cir. 2007).

The common law confirms that copyright law is no different in that respect. Unless and until Congress clearly signals an intent to depart from these longstanding exhaustion principles, this Court should continue to apply them in a manner consistent with their judicial origins and development. Because only Congress has "the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests" implicated by the scope of the copyright grant, the Court should decline "to expand the protections afforded by the copyright without explicit legislative guidance." *Sony Corp.*, 464 U.S. at 431; *accord Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012) ("[W]e must hesitate before departing from established general [intellectual property] rules lest a new protective rule ... produce unforeseen results ... [a]nd we must recognize the role of Congress in crafting more finely tailored rules where necessary."); *Bilski v. Kappos*, 130 S. Ct. 3218, 3249–50 (2010) (Stevens, J., concurring in the judgment).

CONCLUSION

This Court should hold that five ambiguous words in § 109(a) did not abrogate the centuries-old common-law first sale doctrine as applied to foreign-made copies, and it should therefore reverse the judgment below.

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APPENDIX

APPENDIX A

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